

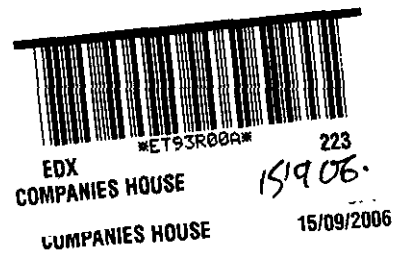


EDF ENERGY (SERVICES) LIMITED

Registered Number 2228168

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005



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Directors

Humphrey A E Cadoux-Hudson
Brian J S Gray
Maria H Maes

Secretary

Robert Ian Higson

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

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 2005.

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, before taxation, amounted to £11,276,000 (2004: £8,647,000) and after taxation, to £5,448,000 (2004: £6,430,000). The Directors do not recommend payment of a dividend (2004: £Nil).

Directors and their interests

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

Maria H Maes
Brian J S Gray
Humphrey A E Cadoux-Hudson

No contract or arrangement has been entered into at any time during the year or subsisted at the end of the year in which any Director had a material interest which was significant in relation to the Group's business.

None of the Directors who held office at the end of the financial year had any interest in the shares of the Company or any other Group company requiring disclosure under the Companies Act 1985.

Political and charitable contributions

During the year, the Company made various charitable contributions totalling £17,443 (2004: £7,015) and no political contributions (2004: £Nil).

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the directors consider relevant to this company are credit risk and liquidity risk. These risks are mitigated by the nature of the debtor balances owed, with these due from other group companies who are able to repay these if required.

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; and
- pay in accordance with its contractual and other legal obligations.

DIRECTORS' REPORT Continued

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2005, the Company had an average of 10 days purchases outstanding in its trade creditors (2004: 29 days).

Employees

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 in accordance with the appropriate legislation and Government guidelines. 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.

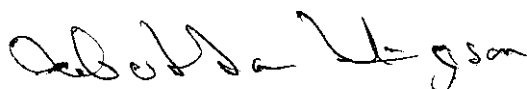
The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting their employment and on the various factors affecting the performance of the Company.

The Company's policies and procedures relating to Health and Safety at work continued to exceed the requirements of current legislation and are kept under constant review to ensure a safe and healthy working environment for all employees.

Auditors

Deloitte & Touche LLP will be re-appointed as auditors in the Company's auditors in accordance with the elective resolution passed by the Company under section 386 of the Companies Act 1985.

By order of the Board



Robert Ian Higson
Company Secretary

12th September 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

United Kingdom 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 as at the end of the financial year 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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements as necessary; 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY (SERVICES) LIMITED

We have audited the financial statements of EDF Energy (Services) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes numbered 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework, 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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
Continued

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

12 September 2006

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	<i>Note</i>	2005 £000	2004 restated £000
Turnover	2	44,316	40,033
Gross profit		44,316	40,033
Distribution expenses		(9,433)	(7,905)
Administrative expenses		(14,014)	(15,146)
Operating profit	3	20,869	16,982
Profit on ordinary activities before interest and taxation		20,869	16,982
Interest receivable and similar income	7	36	67
Interest payable and similar charges	8	(9,629)	(8,402)
Profit on ordinary activities before taxation		11,276	8,647
Tax on profit on ordinary activities	9	(5,828)	(2,217)
Retained profit for the financial year	19	5,448	6,430

All results are derived from continuing operations in both the current and preceding year.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2005**

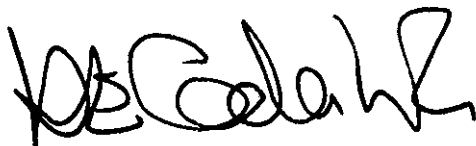
	<i>Note</i>	2005 £000	2004 restated £000
Profit for the year		5,448	6,430
Actuarial loss net of deferred tax on defined benefit pensions	21	(125)	(155)
Total recognised gain relating to the year		5,323	6,275
Prior year adjustment	21	(1,015)	-
Total gains since last annual report		4,308	-

The deferred tax credit reflected in the actuarial loss net of deferred tax on defined benefit pensions amounted to £53,400 (2004: £66,300).

NOTES TO THE FINANCIAL STATEMENTS

	Note	2005 £000	2004 restated £000
Fixed assets			
Intangible assets	10	810	876
Tangible assets	11	243,887	205,432
Total fixed assets		244,697	206,308
Current assets			
Stocks	12	1,007	1,283
Debtors	13	11,916	11,128
Total current assets		12,923	12,411
Creditors: amounts falling due within one year	14	(172,849)	(134,022)
Net current liabilities		(159,926)	(121,611)
Total assets less current liabilities		84,771	84,697
Creditors: amounts falling due after more than one year	15	(17,179)	(26,688)
Provisions for liabilities and charges	17	(26,142)	(21,951)
Net assets excluding pension liability		41,450	36,058
Pension liability	21	(1,084)	(1,015)
Net assets including pension liability		40,366	35,043
Capital and reserves			
Called up share capital	18	10,100	10,100
Profit and loss account	19	30,266	24,943
Equity shareholder's funds		40,366	35,043

The financial statements on pages 7 to 23 were approved by the Board of Directors on 12th September 2006 and were signed on its behalf by:



Humphrey A E Cadoux-Hudson
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the year and the preceding year with the exception of the policy for pensions and other post-retirements benefits which is explained under the headings 'Change in accounting policy' and 'Pensions' below and in Note 21.

Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

Change in accounting policy

With effect from 1 January 2005 the company changed its accounting policy for pensions and other post-retirement benefits by fully adopting FRS 17 'Retirement Benefits'. Accordingly, comparative figures have been restated for the company.

For the company, the impact on its profit on ordinary activities after taxation for the year ended 31 December 2005 was a reduction in profit of £20,000 (2004: additional profit of £20,000) and the impact on shareholders' funds as at 31 December 2004 was a reduction of £880,000.

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 whose consolidated accounts include a cash flow statement and are publicly available.

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.

NOTES TO THE FINANCIAL STATEMENTS Continued

1. Accounting policies (continued)

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. Tangible fixed assets are stated at cost, net of depreciation and provision for impairment. 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.

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
Motor vehicles	–	Over 5 years
Software	–	Over 5 years
IT equipment	–	Over 3 years

Assets in the course of construction are not depreciated.

Stocks

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

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.

Long term contracts

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

NOTES TO THE FINANCIAL STATEMENTS Continued

1. Accounting policies (continued)

Taxation (continued)

- 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 nor 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.

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, even if payments are not made on such a basis.

Pensions

The Company operates a defined benefit pension scheme. The amounts charged to the profit and loss account in respect of the scheme are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately the costs are recognised over the period until vesting occurs. The interest cost and the expected return on the assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

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

	2005	2004
	£000	£000
This is stated after charging:		
Depreciation of fixed assets – owned	5,386	4,733
Amortisation of goodwill	66	66
Auditors' remuneration for audit services	25	25
Operating lease rentals - other	767	654

In 2005, amounts payable to Deloitte & Touche LLP and their associates by the company in respect of non-audit services were £nil (2004: £nil).

NOTES TO THE FINANCIAL STATEMENTS Continued

4. Administrative expenses

Administrative expenses include the following:

	2005 £000	2004 £000
(Provision release)/provision for debtors owed by London Electricity Contracting ('LEC')	(593)	593
Provision release in relation to LEC DLR Lewisham extension costs	(799)	-
Provision release in relation to warranty and indemnity claims on sale of LEC	(610)	-

5. Directors' emoluments

	2005 £000	2004 £000
Total emoluments	-	236
Emoluments payable to the highest paid director were as follows:		
Aggregate emoluments	-	207

	2005 Number	2004 Number
Members of defined benefit pension scheme	-	1

No directors (2004: none) held any interest in the shares or debentures of the Company or the EDF group.

6. Staff costs

	2005 £000	2004 restated £000
Wages and salaries	5,782	4,811
Social security costs	557	466
Other pension costs	613	447
Less: capitalised staff costs	(576)	(1,304)
	6,376	4,420

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

	2005 Number	2004 Number
Administration	62	37
Production	66	70
	128	107

NOTES TO THE FINANCIAL STATEMENTS Continued

7. Interest receivable and similar income

	2005 £000	2004 restated £000
Other finance income on pension scheme (Note 21)	36	67

8. Interest payable and similar charges

	2005 £000	2004 £000
Interest due on loan from EDF Energy plc	9,629	8,402

9. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year:

UK current tax

	2005 £000	2004 £000
UK corporation tax charge on profit for the year	580	1,120
Adjustment in respect of previous years	(969)	-
Total current tax (credit)/charge (Note 9(b))	(389)	1,120

UK deferred tax

	2005 £000	2004 £000
Origination and reversal of timing differences	4,918	1,675
Adjustment in respect of previous years	1,299	(578)
Total deferred tax charge	6,217	1,097
Total tax charge on profit on ordinary activities	5,828	2,217

NOTES TO THE FINANCIAL STATEMENTS Continued
9. Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge for the year:

	2005 £000	2004 £000
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%).		
The differences are explained below:		
Profit on ordinary activities before taxation	11,276	8,648
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	3,383	2,594
Effect of:		
Disallowed expenses and non-taxable income	2,095	181
Capital allowances in excess of depreciation	(4,294)	(1,844)
Amortisation of goodwill	20	20
Movement in pension liability	(24)	(9)
Other deferred tax items	(600)	178
Adjustment in respect of prior years	(969)	-
Current tax charge for the year	(389)	1,120

10. Intangible fixed assets

	2005 £000
Goodwill	
Cost	
At 1 January and 31 December 2004	1,314
Amortisation	
At 1 January 2005	438
Charge for the year	66
At 31 December 2005	504
Net book value	
At 31 December 2005	810
At 31 December 2004	876

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 2005 and in their opinion this amount is fully supported by their valuation of the Group's net assets.

NOTES TO THE FINANCIAL STATEMENTS Continued

11. Tangible fixed assets

	Network assets	Assets in the course of construction	Non- operational land and buildings	Fixtures & Equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2005	147,991	78,328	247	3,384	229,950
Additions	-	44,578	-	-	44,578
Transfers	28,569	(29,375)	-	806	-
Disposals	(1,229)	-	-	(15)	(1,244)
At 31 December 2005	175,331	93,531	247	4,175	273,284
Depreciation					
At 1 January 2005	22,719	-	212	1,587	24,518
Charge for the year	4,733	-	35	618	5,386
Transfers	-	-	-	-	-
Disposals	(495)	-	-	(12)	(507)
At 31 December 2005	26,957	-	247	2,193	29,397
Net book value					
At 31 December 2005	148,374	93,531	-	1,982	243,887
At 31 December 2004	125,272	78,328	35	1,797	205,432

12. Stocks

	2005 £000	2004 £000
Work in progress	1,007	1,283

13. Debtors

	2005 £000	2004 £000
Debtors: amounts falling due within one year		
Trade debtors	399	2,201
Amounts owed by other group companies	2,854	1,653
VAT	-	344
Other debtors	191	33
Prepayments and accrued income	36	1,927
	3,480	6,158
Debtors: amounts falling due after more than one year		
Prepayments and accrued income	8,436	4,970
	11,916	11,128

NOTES TO THE FINANCIAL STATEMENTS Continued

14. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank overdraft	139,476	100,606
Borrowings (note16)	15,228	14,628
Trade creditors	2,365	2,922
Other creditors	103	-
Amounts owed to other group companies	1,606	785
Amounts owed to EDF Energy plc	3,918	3,471
VAT	153	-
Corporation taxation (Group payments)	3,199	5,388
Accruals and deferred income	6,801	6,222
	172,849	134,022

15. Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Trade creditors	679	588
Borrowings (note16)	16,500	26,100
	17,179	26,688

16. Borrowings

	2005 £000	2004 £000
Loans from EDF Energy plc	31,728	40,728
Maturity		
Amounts repayable:	2005 £000	2004 £000
In one year or less, or on demand	15,228	14,628
	15,228	14,628
In more than one year but not more than two years	9,900	9,600
In more than two years but not more than five years	6,600	16,500
	16,500	26,100
	31,728	40,728

There are two loans from EDF Energy plc, one amounting to £5,628,000 repayable on demand, the other amounting to £26,100,000 repayable as to £9,600,000 in 2006, £9,900,000 in 2007 and £6,600,000 in 2008. The interest rate on both loans is 8.25% p.a.

NOTES TO THE FINANCIAL STATEMENTS Continued
17. Provisions for liabilities and charges

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

	At 1 January 2005	Released in the year	Arising during the year	At 31 December 2005
	£000	£000	£000	£000
Provision re: Sale of LEC	2,439	(2,002)	-	437
Deferred tax	19,512	-	6,193	25,705
	21,951	(2,002)	6,193	26,142

The provision in relation to LEC relates to outstanding contractual obligations, following the sale of that company.

Deferred taxation provided in the financial statements is as follows:

	2005 £000	2004 £000
Accelerated capital allowances	25,825	20,283
Other timing differences	(120)	(771)
Provision for deferred tax	25,705	19,512

The movements in deferred taxation are as follows:

	At 1 January 2005	Profit and loss account	Statement of total recognised gains and losses	At 31 December 2005
	£000	£000	£000	£000
Provision for deferred tax	19,512	6,193	-	25,705
Deferred tax shown against pension liability	(435)	24	(54)	(465)
	19,077	6,217	(54)	25,240

NOTES TO THE FINANCIAL STATEMENTS *Continued*

18. Share capital

Authorised

	2005 Number	2004 Number	2005 £000	2004 £000
Ordinary shares of £1 each	15,000,000	15,000,000	15,000	15,000

Allotted, called up and fully paid

	2005 Number	2004 Number	2005 £000	2004 £000
Ordinary shares of £1 each	10,100,000	10,100,000	10,100	10,100

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

	Share capital £000	Profit and loss account £000	Total share- holder's funds £000
At 1 January 2004 as previously reported	10,100	19,548	29,648
Prior year adjustment in respect of change of accounting policy	-	(880)	(880)
At 1 January 2004	10,100	18,668	28,768
Profit for the year	-	6,430	6,430
Actuarial losses net of deferred tax on defined benefit pensions	-	(155)	(155)
At 31 December 2004	10,100	24,943	35,043
Profit for the year	-	5,448	5,448
Actuarial losses net of deferred tax on defined benefit pensions	-	(125)	(125)
At 31 December 2005	10,100	30,266	40,366

20. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £78,774,000 (2004: £51,299,000).

NOTES TO THE FINANCIAL STATEMENTS Continued

21. Pension arrangements

The principal pension schemes of EDF Energy plc are the EDF Energy Pension Scheme (EEPS) and the EDF Energy Group of the Electricity Supply Pension Scheme (ESPS). Both of these schemes are defined benefit schemes. On 1 September the EDF Energy Group of the ESPS was created by the merger of the Company's two ESPS Groups, the London Electricity Group of the ESPS and the SEEBOARD Group of the ESPS. The London Electricity group and SEEBOARD group of the ESPS closed to new employees in April 1994 and July 1995 respectively. New employees were offered membership of the following schemes: the SEEBOARD final Salary Pension Plan, the London Electricity 1994 Retirement Plan (LERP), the 24seven Group Personal Pension Plan (24seven GPP), and the SEEBOARD Pension Investment Plan. The first of these schemes was a defined benefit scheme whilst all the others are defined contribution schemes.

The EDF Energy Group closed its non-ESPS pension arrangements (the London Electricity 1994 Retirement Plan, the SEEBOARD Final Salary Pension Plan, the SEEBOARD Pension Investment Plan, and the 24seven Group Personal Pension Plan) with effect from 29 February 2004. A new scheme, the EDF Energy Pension Scheme, a final salary arrangement, replaced these for future service from 1 March 2004. A special contribution of £2 million was made to the EDF Energy Pension Scheme at inception, and the regular ongoing employer's contribution has been assessed as 10% of pensionable pay. This contribution rate will be reviewed as a result of future actuarial valuations.

The latest full actuarial valuations of the EDF Energy Group of the ESPS was carried out by Hewitt Bacon & Woodrow, consulting actuaries, as at 31 March 2004. The valuation was agreed on 15 December 2004, at the same time that a special contribution was agreed to fund the deficit over a 12 year period from 1 April 2005. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	31 December 2005 % p.a.	31 December 2004 % p.a.
Discount rate	4.7	5.3
Inflation assumption	2.9	2.9
Rate of increase in salaries	3.9	3.9
Rate of increase of pensions increases RPI	2.9	2.9

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 2004, which determined the Group's contribution rate for future years.

NOTES TO THE FINANCIAL STATEMENTS Continued
21. Pension arrangements (continued)

The amount recognised in the balance sheet in respect of the defined benefit retirement benefit plans is as follows:

	ESPS	EEPS	Total	Total
	2005	2005	2005	2004
	£000	£000	£000	£000
Fair value of scheme assets	7,112	648	7,760	6,350
Present value of defined benefit obligations	(8,438)	(871)	(9,309)	(7,800)
Deficit in scheme	(1,326)	(223)	(1,549)	(1,450)
Related deferred tax asset	398	67	465	435
Liability recognised in the balance sheet	(928)	(156)	(1,084)	(1,015)

This amount is presented in pension liabilities.

Analysis of the amounts charged to the profit and loss account in respect of these defined benefit schemes are as follows:

	ESPS	EEPS	Total	Total
	2005	2005	2005	2004
	£000	£000	£000	£000
Current service cost	134	229	363	265
Changes arising on curtailments	27	-	27	16
Total operating cost	161	229	390	281

NOTES TO THE FINANCIAL STATEMENTS Continued
21. Pension arrangements (continued)

Analysis of the amount credited to interest income:

	ESPS 2005 £000	EEPS 2005 £000	Total 2005 £000	Total 2004 £000
Expected return on pension scheme assets	425	27	452	446
Interest on pension scheme liabilities	(389)	(27)	(416)	(379)
Net return on pension scheme	36	-	36	67

Analysis of the actuarial loss in the statement of total recognised gains and losses:

	ESPS 2005 £000	EEPS 2005 £000	Total 2005 £000	Total 2004 £000
Actual return less expected return on pension scheme assets	716	27	743	117
Experience gains and losses arising on scheme liabilities	(26)	(54)	(80)	9
Changes in assumptions underlying the present value of the scheme liabilities	(707)	(134)	(841)	(347)
Actuarial loss	(17)	(161)	(178)	(221)
Deferred tax	5	48	53	66
Actuarial loss net of deferred tax	(12)	(113)	(125)	(155)

Movements in the scheme deficit in the current period were as follows:

	ESPS 2005 £000	EEPS 2005 £000	Total 2005 £000	Total 2004 £000
At 1 January	(1,437)	(13)	(1,450)	(1,258)
Current service cost	(134)	(229)	(363)	(265)
Curtailments	(27)	-	(27)	(16)
Contributions	144	180	324	243
Deficit payments	109	-	109	-
Net finance income	36	-	36	67
Actuarial gain	(17)	(161)	(178)	(221)
At 31 December	(1,326)	(223)	(1,549)	(1,450)

NOTES TO THE FINANCIAL STATEMENTS Continued
21. Pension arrangements (continued)

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Expected return		Fair value of assets		
	2005 %	2004 %	2005 ESPS £000	2005 EEPS £000	2004 Total £000
Gilts	4.1	4.5	1,432	-	1,076
Equities	7.8	8.2	4,836	333	4,527
Property	6.8	7.2	188	-	47
Corporate bonds	4.5	5.0	505	333	600
Cash	4.6	5.0	71	-	100
			7,032	666	6,350

History of experience gains and losses are as follows:

	ESPS 2005 £000	EEPS 2005 £000	Total 2005 £000	Total 2004 £000
Fair value of scheme assets	7,112	648	7,760	6,350
Present value of defined benefit obligations	(8,438)	(871)	(9,309)	(7,800)
Deficit in the scheme	(1,326)	(223)	(1,549)	(1,450)

Experience gains and losses on scheme liabilities:

Amount (£000)	(26)	(54)	(80)	9
Percentage of scheme liabilities (%)	(0.3%)	(6.2%)	(0.9%)	0.1%

Difference between the expected and actual return on scheme assets:

Amount (£000)	716	27	743	117
Percentage of scheme assets (%)	10.1%	4.2%	9.6%	1.8%

Total amount recognised in statement of total recognised gains and losses

Amount (£000)	(17)	(161)	(178)	(221)
Percentage of scheme liabilities (%)	(0.2%)	(18.5%)	(1.9%)	(2.8%)

NOTES TO THE FINANCIAL STATEMENTS Continued

22. Other financial commitments

At 31 December 2005 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2005 £000	Other 2005 £000	Land and buildings 2004 £000	Other 2004 £000
Operating leases which expire:				
Within one year	-	32	100	64
In two to five years	43	149	36	162
In over five years	454	-	253	-
	497	181	389	226

23. 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 which prepares consolidated accounts which are publicly available.

24. Parent undertaking and controlling party

EDF Energy plc holds a 100% interest in EDF Energy (Services) Limited and is considered to be the immediate parent company. EDF Energy plc heads the smallest group for which consolidated accounts are prepared which include the results of the Company.

At 31 December 2005, Electricité de France SA ('EDF'), a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated accounts are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.