EDF ENERGY NETWORKS (EPN) PLC

Registered Number 2366906

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2005

CONTENTS

Page:

Directors

Vincent de Rivaz
Paul Cuttill
Humphrey A E Cadoux-Hudson

Company Secretary

Robert Ian Higson

Auditors

Deloitte & Touche LLP
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London
EC4A 3TR

Registered Office

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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 distribution of electricity to domestic, commercial and industrial customers through network ownership, management, operation, maintenance and renewal. It will continue in this activity for the foreseeable future.

Results and dividends

The profit for the year, before taxation, amounted to £139.9m (2004 restated: £131.6m) and after taxation, to £103.4m (2004 restated: £103.7m). Dividends of £34.4m were paid in the year (2004: £nil).

Future developments

The Directors aim to deliver the right balance of customer service and shareholder return through efficient investment in the Network within the boundaries of the price control allowances.

Directors and their interests

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

Vincent de Rivaz
Paul Cuttill
Humphrey A E Cadoux-Hudson

None of the Directors had a service contract with the Company in the current or prior year. They are all employed by the parent Company, EDF Energy plc, and have service contracts with that Company.

There were no contracts of significance during either year 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 any interests in the shares of the Company or any other Group Company in either year required to be disclosed under the Companies Act 1985.

Political and charitable contributions

The Company made no charitable or political contributions in either year.

DIRECTORS' REPORT Continued

Creditors payment policy

The Company's current policy concerning the payment of its trade creditors and other suppliers is to:

- agree 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 2005, the Company had an average of 8 days (2004: 45 days) purchases outstanding in its trade creditors.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Humphrey A E Cadoux-Hudson
Company Director
30 June 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 NETWORKS (EPN) PLC

We have audited the financial statements of EDF Energy Networks (EPN) PLC 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 1 to 23. These financial statements have been prepared under 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

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice are set out in the statement of Directors' responsibilities.

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.

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

30 June 2006

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £m	2004 Restated £m
Turnover	2	**346.8**	358.5
Cost of sales		**(8.5)**	(11.7)
Gross profit		**338.3**	346.8
Distribution costs		**(146.9)**	(157.5)
Administrative expenses		**-**	(1.7)
Operating profit	3	**191.4**	187.6
Profit on disposal of fixed assets		**1.3**	1.3
Profit on ordinary activities before interest and taxation		**192.7**	188.9
Interest receivable and similar income	5	**2.4**	2.6
Interest payable and similar charges	6	**(55.2)**	(59.9)
Profit on ordinary activities before taxation		**139.9**	131.6
Tax on profit on ordinary activities	7	**(36.5)**	(27.9)
Profit for the financial year	18	**103.4**	103.7

All results are derived from continuing operations in both the current and preceding year. Prior year figures have been restated to reflect the adoption of FRS17 'Retirement benefits', from 1 January 2004 (note 15).

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

	Note	2005 £m	2004 Restated £m
Profit for the financial year		**103.4**	103.7
Actuarial loss net of deferred tax on defined pension benefits	18	**(0.3)**	(4.3)
Total recognised gain relating to the year		**103.1**	99.4
Prior period adjustment – adoption of FRS 17	18	**(27.1)**	
Total gains recognised since the last annual report		**76.0**	

The deferred tax credit reflected in the actuarial loss net of deferred tax on defined benefit pensions amounted to £0.2m (2004: £1.7m).

BALANCE SHEET
AT 31 DECEMBER 2005

	Note	2005 £m	2004 Restated £m
Fixed assets			
Tangible assets	8	**1,501.7**	1,399.4
Current assets			
Debtors	9	**53.0**	44.5
Investments: unlisted money market investments		**7.4**	34.4
Cash at bank and in hand		**23.7**	0.4
		84.1	79.3
Creditors: amounts falling due within one year	10	**(153.7)**	(123.7)
Net current liabilities		**(69.6)**	(44.4)
Total assets less current liabilities		**1,432.1**	1,355.0
Creditors: *amounts falling due after more than one year*	11	**(745.3)**	(745.0)
Provision for liabilities and charges	14	**(271.4)**	(260.9)
Net assets excluding pension liability		**415.4**	349.1
Pension liability	20	**(24.7)**	(27.1)
Net assets including pension liability		**390.7**	322.0
Capital and reserves			
Called up share capital	16	**125.8**	125.8
Share premium account	18	**5.6**	5.6
Capital redemption reserve	18	**10.6**	10.6
Profit and loss account	18	**248.7**	180.0
Equity shareholder's funds	18	**390.7**	322.0

The financial statements on pages 6 to 21 were approved by the Board of Directors on 30 June 2006
and were signed on its behalf by:

Paul Cuttill
Director

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 accounting for pension costs under FRS17 'Retirement benefits' ("FRS17") as set out below.

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, except as noted below in respect of tangible fixed assets.

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, headed by EDF Energy plc, whose consolidated accounts include a cash flow statement and are publicly available.

Tangible fixed 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 other than freehold land, at rates calculated to write off the cost of acquisition of each asset evenly over its expected useful life, as follows:

Overhead and underground lines	–	45 to 60 years
Other network plant and buildings	–	20 to 60 years
Fixtures and equipment	–	5 years
Vehicles	–	5 to 10 years

Capital contributions in respect of capital expenditure are credited to a fixed asset account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments. The un-amortised amount of such contributions is shown as a deduction from fixed assets. This is a departure from the Companies Act 1985, which requires fixed assets to be included at their purchase price or production cost and hence the contribution would be presented as deferred income. However, contributions relate directly to the cost of fixed assets used in the distribution network and it is the opinion of the directors that the treatment adopted is necessary to give a true and fair view. The value of the contributions is shown in note 8.

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments, at a constant rate on the carrying amount.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

NOTES TO THE FINANCIAL STATEMENTS Continued

1. Accounting policies continued

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, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses;
- provision is made for gains on re-valued fixed assets only where there is a commitment to dispose of the re-valued assets and the attributable gain can neither be rolled over nor eliminated by capital losses; and
- 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.

Derivatives and other financial instruments

The Company holds or issues financial instruments for two main purposes:

- to finance its operations; and
- to manage the interest rate and currency risks arising from its sources of finance.

The Company finances its operation by a mixture of retained profits, bank borrowings, medium-term loans, long-term loans and commercial paper. The Company has borrowings denominated in sterling at fixed rates of interest. The main risks arising from the Company's financial instruments are interest rate risk. The Company's policy for managing these risks is summarised below and is defined in statements authorised by the Board of Directors and reviewed on an annual basis. Authority for managing risk consistent with this corporate policy may be delegated by the Board to, amongst others, the treasury department of the Company's parent Company, EDF Energy plc.

- Interest rate risk

  The Company's exposure to interest rate fluctuations on its borrowings and deposits is managed by using fixed rate debt instruments and index-linked rate debt instruments.

Investments

Current asset investments are stated at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS Continued

1. Accounting policies continued

Pensions

Employees of the Company participate in a number of group-wide funded defined benefit pension arrangements, and the Company accounts for these schemes in accordance with FRS17.

The amounts charged to the profit and loss account 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.

The 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 or 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 continuing activities of electricity distribution and the invoice value of other goods and services provided. This includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the year end.

3. Operating profit

	2005	2004
This is stated after charging:	**£m**	£m
Depreciation of owned assets	**40.0**	37.1

Amounts payable to Deloitte & Touche LLP and their associates by the Company in respect of audit services were borne by another Group Company in both the current and prior year. The company had no employees in 2005 (2004: None).

4. Directors' emoluments

All directors are employees of EDF Energy plc and did not receive any remuneration for services to the Company during the year or the preceding year.

NOTES TO THE FINANCIAL STATEMENTS Continued

5. Interest receivable and similar income

	2005 £m	2004 Restated £m
Net return on pension scheme	**1.0**	1.5
Other interest receivable	**1.4**	1.1
	2.4	2.6

6. Interest payable and similar charges

	2005 £m	2004 £m
On loans from other Group companies	**0.1**	1.4
On loans repayable in whole or in part after five years	**55.1**	58.5
	55.2	59.9

NOTES TO THE FINANCIAL STATEMENTS Continued

7. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year:

UK current tax

	2005	2004 Restated
	£m	£m
UK corporation charge on profit for the year	**34.4**	18.5
Adjustment in respect of prior year	**(9.7)**	(11.0)
Total current tax charge (Note (b))	**24.7**	7.5

UK deferred tax

	2005	2004 Restated
	£m	£m
Origination and reversal of timing differences	**7.5**	21.2
Adjustment in respect of prior year	**4.3**	(0.8)
Total deferred tax charge for the year	**11.8**	20.4
Total tax charge on profit on ordinary activities	**36.5**	27.9

(b) Factors affecting tax charge for the year:

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

The differences are explained below.

	2005	2004 Restated
	£m	£m
Profit on ordinary activities before tax	**139.9**	131.6
Tax on profit on ordinary activities at standard UK rate of corporation tax of 30% (2004: 30%)	**42.0**	39.5
Effect of:		
Adjustment in respect of prior year	**(9.7)**	(11.0)
Disallowed expenses and non-taxable income	**-**	0.2
Capital allowances in excess of depreciation	**(6.7)**	(21.1)
Movement in pension liability	**(1.1)**	(0.2)
Other	**0.2**	0.1
Current tax charge for the period	**24.7**	7.5

NOTES TO THE FINANCIAL STATEMENTS Continued

8. Tangible fixed assets

(a)	Network	Non Network land & buildings	Fixtures and equipment	Vehicles	Customers' contributions	**Total**
	£m	£m	£m	£m	£m	**£m**
Cost						
At 1 January 2005	2,796.4	-	1.2	-	(715.0)	**2,082.6**
Additions	201.7	6.0	-	2.4	(67.8)	**142.3**
Disposals	(6.0)	-	-	-	-	**(6.0)**
At 31 December 2005	**2,992.1**	**6.0**	**1.2**	**2.4**	**(782.8)**	2,218.9
Depreciation						
At 1 January 2005	859.6	-	0.5	-	(176.9)	**683.2**
Charge for the year	56.4	-	0.4	0.2	(17.0)	**40.0**
Disposals	(6.0)	-	-	-	-	**(6.0)**
At 31 December 2005	**910.0**	**-**	**0.9**	**0.2**	**(193.9)**	**717.2**
Net book value						
At 31 December 2005	**2,082.1**	**6.0**	**0.3**	**2.2**	**(588.9)**	**1,501.7**
At 31 December 2004	1,936.8	-	0.7	-	(538.1)	1,399.4

(b) Network assets include land at £14.1m (2004: £10.0m). Non-Network land and buildings comprises freehold buildings only.

(c) Included within tangible fixed assets are assets in course of construction of £47.1m as at 31 December 2005 (2004: £27.0m).

9. Debtors

	2005	2004
	£m	£m
Debtors: amounts falling due within one year		
Trade debtors	**41.0**	33.9
Amounts owed by Group undertakings	**4.9**	3.6
Prepayments and accrued income	**7.1**	7.0
	53.0	44.5

NOTES TO THE FINANCIAL STATEMENTS Continued

10. Creditors: amounts falling due within one year

	2005 £m	2004 £m
Trade creditors	**0.5**	1.6
Amounts owed to Group undertakings	**37.3**	28.4
Corporation tax (Group payments)	**54.3**	32.2
Other creditors	**1.1**	0.8
Other taxation and social security	**4.2**	4.3
Accruals and deferred income	**56.3**	56.4
	153.7	123.7

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

	2005 £m	2004 £m
Borrowings (note 12)	**745.3**	745.0

12. Borrowings

	2005 £m	2004 £m
Amounts falling due after more than one year		
£350m 5.75% Eurobond due March 2024	**348.7**	348.7
£200m 8.75% Eurobond due March 2012	**198.9**	198.7
£200m 8.50% Eurobond due March 2025	**197.7**	197.6
	745.3	745.0

NOTES TO THE FINANCIAL STATEMENTS Continued

13. Derivatives and financial instruments

Risk management

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

As permitted by FRS 13 'Derivatives and other financial instruments: disclosures', short-term debtors and creditors have been excluded from the disclosures.

(a) Interest rate and currency risk

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

(b) Interest rate profile

The interest rate profile of the Company's financial liabilities was as follows:

		Borrowings	
	Total	**Weighted average interest rate**	**Weighted average fixed period**
	£m	**%**	**Years**
As at 31 December 2005	**745.3**	**7.3**	**15.0**
As at 31 December 2004	745.0	7.3	16.0

(c) Fair values

The fair values of financial instruments represent the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates at the year end.

	Book value 2005	**Fair value 2005**	Book value 2004	Fair value 2004
Amounts payable:	**£m**	**£m**	£m	£m
In more than five years	**745.3**	**921.0**	745.0	879.3

NOTES TO THE FINANCIAL STATEMENTS Continued

14. Provisions for liabilities and charges

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

	At 1 January 2005	Utilised in the year	Arising during the year	**At 31 December 2005**
	£m	£m	£m	**£m**
Deferred tax	260.4	-	10.7	**271.1**
Other	0.5	(0.2)	-	**0.3**
	260.9	(0.2)	10.7	**271.4**

Deferred taxation provided in the financial statements is as follows:

	2005	2004
	£m	£m
Accelerated capital allowances	**272.5**	261.9
Other timing differences	**(1.4)**	(1.5)
Provision for deferred tax	**271.1**	260.4

The movements in deferred taxation are as follows:

	2004 Restated	Profit and loss account	Statement of total recognised gains and losses	**2005**
	£m	£m	£m	**£m**
Provision for deferred tax	260.4	10.7	-	**271.1**
Deferred tax shown against pension liability	(11.6)	1.1	(0.1)	**(10.6)**
Net deferred tax	248.8	11.8	(0.1)	**260.5**

NOTES TO THE FINANCIAL STATEMENTS Continued

15. Prior year adjustments

The adoption of FRS17 'Retirement benefits', has required changes in the method of accounting for pension costs and liabilities. As a result of these changes in accounting policy the comparatives have been restated as follows:

Balance sheet	Pension deficit	Deferred taxation against pension liability	Net pension liability	Shareholders' funds
	£m	£m	£m	£m
At 31 December 2004 as published	-	-	-	349.1
Adoption of FRS17 at 1 January 2004	34.2	(10.3)	23.9	(23.9)
Adoption of FRS17 for the year ended 31 December 2004 – profit and loss account	(1.5)	0.4	(1.1)	1.1
Adoption of FRS17 for the year ended 31 December 2004 – statement of total recognised gains and losses	6.0	(1.7)	4.3	(4.3)
At 31 December 2004 as restated	38.7	11.6	27.1	322.0

Profit and loss account	Interest receivable	Tax on profit on ordinary activities	Profit for the financial year
	£m	£m	£m
Year ended 31 December 2004 as published	1.1	(27.5)	102.6
Adoption of FRS17 for the year ended 31 December 2004	1.5	(0.4)	1.1
Year ended 31 December 2004 as restated	2.6	(27.9)	103.7

16. Share capital

Authorised

	2005 Number	2004 Number	**2005 £m**	2004 £m
Ordinary shares of £0.50 each	**400,000,000**	400,000,000	**200.0**	200.0

Allotted, called up and fully paid

	2005 Number	2004 Number	**2005 £m**	2004 £m
Ordinary shares of £0.50 each	**251,513,142**	251,513,142	**125.8**	125.8

17. Dividends paid

	2005 £m	2004 £m
Ordinary dividends on equity shares – 13.7p per ordinary share	**34.4**	-

NOTES TO THE FINANCIAL STATEMENTS Continued

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

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	**Total Shareholder's funds £m**
At 1 January 2004 as published	125.8	5.6	10.6	104.5	**246.5**
Prior year adjustment	-	-	-	(23.9)	**(23.9)**
At 1 January 2004 as restated	125.8	5.6	10.6	80.6	**222.6**
Profit for the year restated (note 15)	-	-	-	103.7	**103.7**
Actuarial loss net of deferred tax on defined pension benefits	-	-	-	(4.3)	**(4.3)**
At 31 December 2004 as restated	125.8	5.6	10.6	180.0	**322.0**
Profit for the year	-	-	-	103.4	**103.4**
Dividends paid	-	-	-	(34.4)	**(34.4)**
Actuarial loss net of deferred tax on defined pension benefits	-	-	-	(0.3)	**(0.3)**
At 31 December 2005	125.8	5.6	10.6	248.7	**390.7**

The prior year adjustments relate to the adoption of FRS17 'Retirement Benefits' (note 15).

19. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £36.7m (2004: £18.7m).

20. Pension commitments

Employees of the Company participate in a number of group-wide funded defined benefit pension arrangements, and the Company accounts for these schemes in accordance with FRS17.

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 valuation 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

20. Pension commitments continued

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

	2005	2004
	% p.a.	% 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 Company's contribution rate for future years.

The amount recognised in the balance sheet in respect of the Company's defined benefit retirement benefit plan is as follows:

	2005	*2004*
	£m	£m
Fair value of scheme assets	**185.8**	160.5
Present value of defined benefit obligations	**(221.1)**	(199.2)
Deficit in scheme	**(35.3)**	(38.7)
Related deferred tax asset	**10.6**	11.6
Liability recognised in the balance sheet	**(24.7)**	(27.1)

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:

	2005	2004
	£m	£m
Expected return on pension scheme assets	**11.4**	11.4
Interest on pension scheme liabilities	**(10.4)**	(9.9)
Net return on pension scheme	**1.0**	1.5

NOTES TO THE FINANCIAL STATEMENTS Continued

20. Pension commitments continued

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

	2005 £m	2004 £m
Actual return less expected return on pension scheme assets	**19.1**	4.3
Experience gains and losses arising on scheme liabilities	**(0.7)**	(1.3)
Changes in assumptions underlying the present value of the scheme liabilities	**(18.9)**	(9.1)
	(0.5)	(6.1)

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

	2005 £m	2004 £m
At 1 January 2005	**(38.7)**	(34.1)
Deficit payments	**2.9**	-
Net finance income	**1.0**	1.5
Actuarial loss	**(0.5)**	(6.1)
At 31 December 2005	**(35.3)**	(38.7)

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

	Expected return		Fair value of assets	
	2005 %	2004 %	**2005** £m	2004 £m
Gilts	**4.1**	4.5	**37.9**	27.8
Equities	**7.8**	8.2	**127.7**	118.7
Property	**6.8**	7.2	**5.0**	0.3
Corporate bonds	**4.5**	5.0	**13.3**	11.6
Cash	**4.6**	5.0	**1.9**	2.1
			185.8	160.5

NOTES TO THE FINANCIAL STATEMENTS Continued

20. Pension commitments continued

History of experience gains and losses are as follows:

	2005 £m	2004 £m
Fair value of scheme assets	**185.8**	160.5
Present value of defined benefit obligations	**(221.1)**	(199.2)
Deficit in the scheme	**(35.3)**	(38.7)
Experience adjustments on scheme liabilities:		
Amount (£m)	**(0.7)**	(1.2)
Percentage of scheme liabilities	**0.3%**	0.6%
Difference between the expected and actual return on scheme assets:		
Amount (£m)	**19.1**	4.3
Percentage of scheme assets	**10.3%**	2.7%
Total amount recognised in statement of total recognised gains and losses net of deferred tax on defined pension benefits:		
Amount (£m)	**(0.3)**	(4.3)
Percentage of scheme liabilities	**0.1%**	2.1%

21. 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.

22. Parent undertaking and controlling party

EDF Energy plc holds a 100% interest in EDF Energy Networks (EPN) plc 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 financial statements 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.

23. Regulatory accounts

On 1 October 2001, under the Utilities Act 2000, EDF Energy Networks (EPN) plc was granted a Distribution Licence under which it is required to produce regulatory accounts. The regulatory accounts, which cover a twelve month period ended 31 March of each year, are available free of charge by contacting the finance department at Energy House, Carrier Business Park, Hazelwick Avenue, Three Bridges, Crawley, West Sussex, RH10 1EX or by telephoning 01293 657862.