Company Registration No. 3750288

EDF Trading Limited

Report and Financial Statements

31 December 2005

EDF Trading Limited

Report and financial statements 2005

Directors

D Calvez
P Huet
M Laigneau
B Lescoeur
D Macfarlane
J-L Mathias
V de Rivaz
J H Rittenhouse
P Torrion

Secretary

J H Rittenhouse

Registered Office

71 High Holborn
London WC1V 6ED

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Results and dividends

EDF Trading Limited ("the Company" or "EDFT") and its direct and indirect wholly owned subsidiaries (see note 10) ("the Group") recognised profit after tax for the year of €243,840,000 (2004: €217,908,000). The accounts for the year ended 31 December 2005 are set out on pages 9 to 26. A dividend of €70,000,000 was declared and paid during 2005 (€50,000,000 in 2004) and has been recorded in the consolidated profit and loss account for the year as required by the accounting guidance of Financial Reporting Statement ("FRS") 21. A dividend of € 125,000,000 was proposed by the directors on 7 April 2006, which will be accounted for under FRS 21 in the 2006 financial statements.

Principal activities and review of the business

The Group's activities consist of the trading of energy products (electricity, natural gas, coal, freight, oil and emissions credits) in the wholesale markets, and related activities including the management of transportation and logistics.

The year 2005 saw continued progress in the development of the traded wholesale energy markets. The forward trading horizon in the coal and freight market improved, while the power and gas markets continued to have strong liquidity. The market for carbon emissions trading in Europe is now fully established and EDFT has become a leading participant in this market.

EDFT continued to develop its strategy of establishing long-term assets and contractual positions to enhance opportunities in its core trading business. Further to this strategy, the Company entered into a number of long-term contractual commitments. These commitments included restructuring of long term power sales in The Netherlands, continued restructuring of the Company's gas portfolio, and long term off-take and supply agreements in the coal market. The Company also executed its first transactions under the United Nation's Clean Development Mechanism.

The Company, through its wholly owned subsidiary Energy Merchants Gas Storage (UK) Ltd ("EMGS"), continued the expansion of its gas storage facilities in Crewe, Cheshire. The expansion will double the capacity to 20 million therms, and increase flexibility and withdrawal rates. Completion of the work is expected in 2009.

Risk management

Risk governance
The board of directors are responsible for approving risk management principles and policies, and ensuring that EDFT's management maintains an effective system of internal controls. The Chief Executive is responsible for the management of risk within the framework of risk management principles and policies approved by the board.
The Chief Executive has established two committees to oversee risk management:

Risk Committee:
Oversees all aspects of market and operational risk management. The Risk Committee sets the trading risk limits, analyses the risk arising from complex transactions and new business ventures, and reviews the overall risk in the business. The Risk Committee determines whether EDFT is prepared to accept the risk associated with new transactions and activities and, if appropriate, new risk parameters.

Credit Committee:
Oversees all aspects of credit risk management. The Credit Committee establishes credit policies and approves appropriate credit limits for every counterparty. Credit limits, which define our credit risk parameters with each counterparty, are approved by the Credit Committee once it has reviewed a counterparty credit assessment.

The voting members of the two committees comprise the three senior managers of the Company, none of whom are involved in the trading business. All decisions must be unanimous.

Risk management (continued)

Risk management organisation
Compliance with all limits and control procedures is monitored by the Risk Management Department, which is independent of the trading business and reports directly to the Chief Financial Officer. The Risk Management Department is responsible for reviewing and approving pricing and risk management models, and for reporting market and credit risk exposures. All trading activity is booked and recorded in the name of EDF Trading Limited. This is done so that we have a single set of risk centred procedures that provide full transparency in relation to our business.

Market risks
The primary market risks within the business are the exposures to energy prices and foreign exchange rates; Value-at-Risk is our primary mechanism for market risk measurement. All market risks are represented on the Company's balance sheet and the positions are recorded and monitored in either trading books or structured transaction accounts, as appropriate.

Value-at-Risk (VaR)
We use a daily VaR measure as the primary mechanism for market risk control. EDFT's daily VaR measure is the potential profit or loss that might arise if current positions were unchanged over one business day at a 95% confidence level. Daily profits or losses exceeding this VaR measure are expected to occur on average once every twenty business days. The Risk Committee has allocated VaR limits to all trading desks and daily risk reports are produced for all of our major risk categories - electricity, gas, oil, coal, freight and foreign exchange - to monitor our VaR exposure. Trading losses exceeding predefined levels are reported to the Risk Committee. At 31 December 2005, we had an overall VaR limit for our trading books of €13,700,000 (2004: €11,500,000). Our average VaR utilisation during 2005 was €9,214,000 (2004: €5,151,000). As VaR does not always provide a direct indication of the potential size of losses, additional techniques are employed to monitor market risk, including sensitivity and stress testing.

Trading books
The Risk Committee has established the trading book structure. Trading books define the scope of EDFT's activity in forward contracts, swaps, options and futures, and are categorised by commodity (e.g. electricity) or sub-commodity (e.g. northern European electricity).

Structured transaction accounts
Structured transaction accounts are used to account for longer-term risks or illiquid basis risks, which arise from long-term over-the-counter transactions ("structured transactions"). All new structured transactions require the approval of the Risk Committee. The Risk Committee considers if the proposed transaction matches EDFT's risk parameters and assesses the balance of risk and returns and its portfolio impact. The Committee also considers and quantifies the capital requirements of new structured transactions. On the execution of a structured transaction, the liquid, hedgeable risks are transferred to the relevant trading books. Reviews of market liquidities are conducted regularly to ensure that hedgeable risks are transferred to trading books. The structured transaction accounts are subject to regular stress testing by the Risk Management Department.

Risk Management (continued)

Credit Risk
EDFT's business is concentrated in the European energy sector and, consequently, its trade receivables and market exposure are predominantly with European energy companies, utilities, financial institutions and other trading companies. EDFT has implemented robust credit risk management policies overseen by the Credit Committee and, to date, has not suffered any significant credit loss. We trade under standard industry agreements such as Grid Trade Master Agreements for UK power, European Federation of Energy Trader agreements for continental power and International Swaps and Derivatives Association agreements for financial transactions. For the gas business trading is done subject to standard industry terms, NBP97 and ZBT2001. Whilst these industry agreements and terms normally include netting and default provisions, EDFT establishes cross commodity netting terms for its major counterparts, which as well as providing netting benefits, also standardise material adverse change and default provisions. The Group also obtains collateral against exposures where appropriate, including the execution of margining agreements.

Operational and Other Risks
Operational risk is the exposure to losses that may occur as a consequence of carrying out physical operations, and from inadequate internal processes and systems. EDFT assesses the level of operational risk in its various business processes and has implemented a series of checks and backup systems based on the risk assessment. Our procedures are designed to prevent the occurrence of operational errors and, should an error occur, quickly detect its occurrence in order to minimise its impact. Performance indicators are used to monitor the effectiveness of key operational processes and to provide assurance that the process continues to function effectively. The performance indicators are reported to the Chief Financial Officer and Head of IT and Operations on a regular basis. Any failure in business process results in a revised risk assessment and review of relevant procedures. Operational risk is considered by the Risk Committee when approving new activities and business ventures. EDFT has a comprehensive disaster recovery plan, including a disaster recovery site in Blackfriars, London. Tests of the disaster recovery plan are performed regularly.

Legal Risks
Our legal team is involved in every significant transaction. No agreements may be concluded without their sign off, or within parameters agreed with them. They provide essential advice and guidance to senior management on all business issues and ensure that our business is conducted in a manner that complies with all legal and regulatory requirements.

Accounting Policies
The Group uses mark-to-market accounting for positions where there is an observable market, in accordance with UK accounting principles. Liquidity is independently assessed by the Risk Management Department based on criteria approved by the Risk Committee. These criteria include publication of two-way prices by recognised industry publications and the availability of firm bids and offers from brokers and exchanges. The overall valuation of the trading portfolio includes an allowance for credit and operational risks. The market prices used to value EDFT's positions take account of the cost of closing out EDFT's net trading position in the market.

Capital Management
EDFT has established procedures for the allocation of capital to its business activities. The methodology is broadly based on the Basel Accord, which includes the assessment of market, credit and operational risk capital.
Capital is allocated to trading activities based on a multiple of 15 times the VaR approved by the Risk Committee. Further capital is allocated to structured transactions based on a stress testing analysis.

At the end of 2005, total allocated capital was €291,500,000 (2004: €276,000,000) or 41% of total group shareholder's funds (2004: 60%).

Capital requirements for operational risk have been calculated based on estimated losses over a three-year period. The estimated losses are based on our historical operational performance and an analysis of loss experiences. Estimated losses are reviewed periodically to ensure consistency with internal operational risk factors such as transaction turnover and error rates.

EDF Trading Limited

Directors' report (continued)

Risk management (continued)

Liquidity risk management
Liquidity management within EDFT has two principal purposes. Firstly, to ensure that sufficient cash is available to meet all contractual commitments as they fall due and, secondly, to ensure that we have sufficient funding to withstand stressed market conditions or an extreme event.

As at 31 December 2005, the Group had total committed available liquidity of €797,658,000 (2004: €693,377,000) including €223,228,000 (2004:€193,377,000) of liquid resources and a €500,000,000 unsecured committed bank facility, which matures in December 2009. This facility provides back-up liquidity and is currently undrawn.

The Group's liquid resources include amounts placed under cash pooling arrangements with Electricité de France S.A. ("EDF"). The Group pools euro, sterling and U.S dollar cash balances on a daily basis. The cash pooled balances are classified as intercompany receivables, are interest bearing and are callable by EDFT on demand.

Foreign exchange risk
The euro is the functional currency of the Group, as the majority of transactions are euro denominated. We also transact in other currencies, principally pounds sterling (UK natural gas and UK electricity) and US dollars (coal, freight and oil). When currency exposure arises as a result of purchase and sale commitments in non-euro currencies, we use forward foreign exchange transactions to hedge the exposure. Interest rate swaps are used to manage the interest rate risk arising on long term structured transactions.

Future developments

The Group, through its wholly owned subsidiary EDF Energy Merchants Limited, plans to establish a branch based in Paris in 2006 to provide trade support functions. The directors consider that further development of all activities will occur in 2006.

Shareholding

EDF holds 100% of the share capital of the Company, consisting of 81,000,000 ordinary shares of €1 each.

Directors and their interests

The directors who served during the year were as follows:

C Barthélemy	(resigned 31 January 2005)
D Calvez	
G Creuzet	(resigned 31 January 2005)
M Francony	(resigned 31 January 2005)
P Huet	(appointed 31 January 2005)
M Laigneau	(appointed 31 January 2005)
B Lescoeur	(appointed 31 January 2005)
D Macfarlane	
J-L Mathias	(appointed 31 January 2005)
J H Rittenhouse	(appointed 7 April 2006)
V de Rivaz	(appointed 31 January 2005)
P Torrion	(appointed 31 January 2005)
D Venet	(resigned 31 January 2005)

No director has any interest in the shares of any group company that is required to be disclosed under schedule 7 of the Companies Act 1985.

Events since the balance sheet date

Other than dividends proposed there have been no significant events since the balance sheet date requiring disclosure.

EDF Trading Limited

Directors' report (continued)

Auditors

A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

J H Rittenhouse
Secretary
11 April 2006

EDF Trading Limited

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 and Group as at the end of the financial year and of the profit or loss of the Group 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 and Group 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 Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the member of EDF Trading Limited

We have audited the financial statements of EDF Trading Limited for the year ended 31 December 2005 which comprise the Group profit and loss account, the Group statement of total recognised gains and losses, the Group and Company balance sheet, the Group statement of cash flows, the Reconciliation of net cash flows to movements in net funds 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 opinion 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 & Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report 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 or other member of the Group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK & 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 affairs of the Company and the Group as at 31 December 2005 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

11 April 2006

EDF Trading Limited

Group profit and loss account
Year ended 31 December 2005

	Note	2005 €'000	Restated 2004 €'000
Turnover	2	21,095,569	15,572,537
Cost of sales		(20,650,633)	(15,181,863)
Net trading income		444,936	390,674
Administrative expenses		(102,815)	(82,007)
Other operating expenses		(945)	(3,030)
Operating profit	3	341,176	305,637
Interest receivable	6	10,569	11,351
Interest payable and similar charges	6	(2,683)	(4,976)
Profit on ordinary activities before taxation		349,062	312,012
Tax on profit on ordinary activities	7	(105,222)	(94,104)
Profit on ordinary activities after taxation		243,840	217,908
Dividend	8	(70,000)	(50,000)
Retained profit carried forward		173,840	167,908

All profits and losses arise from continuing operations.

Group statement of total recognised gains and losses

		2005 €'000	Restated 2004 €'000
Profit for the year	18	173,840	167,908
Foreign currency translation differences	18	1,317	(1,236)
Total recognised gains and losses		175,157	166,672

The 2004 restatement results from the adoption of FRS 21. As a result dividends are stated in the year in which they were declared (note 1). The profit for the year in the Group statement of total recognised gains and losses incorporates this change in accounting policy.

EDF Trading Limited

Group and Company balance sheet
31 December 2005

	Note	Group 2005 €'000	Company 2005 €'000	Restated Group 2004 €'000	Restated Company 2004 €'000
Fixed assets					
Tangible assets	9	58,869	3,647	55,933	5,649
Investments	10	4,545	25,854	4,545	13,585
		63,414	29,501	60,478	19,234
Current assets					
Stocks	11	128,923	128,540	114,265	113,760
Debtors					
- due within one year	12	6,483,005	6,518,094	3,636,088	3,676,404
- due after one year	12	1,963,606	1,950,986	983,419	970,352
Current assets investments	19(b)	12,800	-	11,360	-
Cash at bank and in hand	19(b)	39,806	36,687	25,239	23,974
		8,628,140	8,634,307	4,770,371	4,784,490
Creditors: amounts falling due within one year					
Loans	14	(12,215)	(12,215)	(16,024)	(16,024)
Other creditors	14	(5,337,067)	(5,329,294)	(3,400,253)	(3,387,665)
Net current assets		3,278,858	3,292,798	1,354,094	1,380,801
Total assets less current liabilities		3,342,272	3,322,299	1,414,572	1,400,035
Creditors: amounts falling due after more than one year	15	(2,634,194)	(2,634,194)	(881,250)	(881,250)
Provisions for liabilities and charges	16	(2,961)	-	(3,362)	-
		(2,637,155)	(2,634,194)	(884,612)	(881,250)
Net assets		705,117	688,105	529,960	518,785
Capital and reserves					
Called up share capital	17	81,000	81,000	81,000	81,000
Capital redemption reserve	18	9,138	9,138	9,138	9,138
Foreign currency translation reserve	18	(1,302)	(826)	(2,619)	(1,557)
Profit and loss account	18	616,281	598,793	442,441	430,204
Total shareholder's funds	18	705,117	688,105	529,960	518,785

A statement of movement in shareholder's funds is given in note 18.

These financial statements were approved by the Board of Directors on 11 April 2006.

Signed on behalf of the Board of Directors

P Torrion
Chief Executive

J M Rowland
Chief Financial Officer

Group statement of cash flows
Year ended 31 December 2005

	Note	2005 €'000	2004 €'000
Net cash inflow from operating activities	19(a)	228,166	58,990
Returns on investments and servicing of finance			
Interest received		8,970	11,803
Interest paid		(1,017)	(3,746)
Bank charges		(1,890)	(2,006)
		6,063	6,051
Taxation			
Corporation tax paid		(99,398)	(83,721)
Capital expenditure and financial investment			
Fixed asset additions		(8,256)	(13,977)
Payments to acquire investments		-	(4,545)
		(8,256)	(18,522)
Equity dividend paid		(70,000)	(50,000)
Cash inflow / (outflow) before use of liquid resources and financing		56,575	(87,202)
Management of liquid resources			
(Increase) / decrease in current asset investments	19(b)	(1,440)	201,793
Increase in group cash pooling balance	19(b)	(34,912)	(156,778)
		(36,352)	45,015
Financing			
Repayment of group short-term loan	19(b)	(5,930)	(12,671)
Increase / (decrease) in cash	19(b)	14,293	(54,858)

EDF Trading Limited

Group statement of cash flows
Year ended 31 December 2005

Reconciliation of net cash flow to movements in net funds

	Note	Group 2005 €'000	Group 2004 €'000
Increase / (decrease) in cash		14,293	(54,858)
Cash flow from change in current asset investments		1,440	(201,793)
Cash flow from group cash pooling activities		34,912	156,778
Cash outflow from repayment of short-term loan and borrowings		5,930	12,671
Change in net funds resulting from cash flows	19(b)	56,575	(87,202)
Foreign currency exchange movement		1,515	(174)
Net funds as at 1 January		177,353	264,729
Net funds as at 31 December	19(b)	235,443	177,353

EDF Trading Limited

Notes to the accounts
Year ended 31 December 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted consistently in the current and prior year are described below.

Basis of consolidation

The Group accounts consolidate the accounts of the Company and all its subsidiary undertakings drawn up to 31 December 2005. The results of subsidiaries acquired are consolidated for the periods from the date on which control passed under the acquisition method. No profit and loss account is presented for the Company as provided by Section 230(3) of the Companies Act 1985.

An associated undertaking ("associate") is an entity in which the Group has a long-term equity interest and over which it exercises significant influence. The consolidated financial statements include the Group portion of the operating profit or loss, interest, taxation and net assets of the associates (the equity method).

Profit of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The profit dealt with in the accounts of the Company was €238,589,000 (2004: €214,376,000).

Software development costs

Software development costs that are directly attributable to bringing computer equipment into working condition for their intended use in the business are treated as part of the cost of the related hardware.

Assets under construction

Assets under construction relate to the development of gas storage facilities and are not depreciated until they become operational.

Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Systems development	–	3 years
Computer equipment	–	3 to 4 years
Furniture and fittings	–	4 years
Communication equipment	–	4 years
Leasehold improvements	–	4 years
Plant and equipment	–	20 years
Gas storage cavities	–	40 years

Provisions for liabilities and charges

A provision for decommissioning is recognised in full at the commencement of the use of the gas storage facilities. The amount recognised is the present value of the estimated future expenditure. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the gas storage facilities. Any change in present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Impairment

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is provided for in the current period profit and loss account when the carrying value of the assets exceeds their estimated recoverable amount. The estimated recoverable amount is defined as the higher of the net realisable value and value in use. The value in use is determined by reference to the net present value of expected future cash flows.

Accounting policies (continued)

Investments

Fixed asset investments are shown at cost less provision for any impairment.

Stocks

Stocks represent commodities held for trading purposes and are held at fair value. This is not in accordance with the requirements of SSAP9, Stocks and long term contracts, which requires stocks to be valued at the lower of cost and net realisable value. However, the directors believe that because they adopt mark-to-market accounting as a trading business, the valuation of stock at fair value is required to show a true and fair view. An estimate of the impact of this policy is disclosed in note 11 to the financial statements.

Cash at bank and in hand and current asset investments

In accordance with Financial Reporting Standard ("FRS") No. 1, cash at bank and in hand consists of current account balances and deposits that are available within one working day of the balance sheet date. Other liquid investments are classed as current asset investments.

Financial instruments

The Company enters into forward commodity contracts and derivative instruments for trading purposes. Forward contracts are physically settled instruments for delivery in the future. Derivative contracts are financial instruments, such as futures, swaps and options. Forward and derivative contracts are measured by reference to market prices at the year-end. The resulting unrealised losses are recorded as liabilities in trade creditors and unrealised profits recorded as assets in trade debtors. Changes in the assets and liabilities from these activities arising in the current period (resulting primarily from newly originated transactions and the impact of price movements on existing transactions) are recognised in the profit and loss account. The market prices used to value these transactions take into account various factors including exchange closing prices and over-the-counter quotations. "Day One" gains on transactions with maturities beyond the liquidity horizon are deferred until such time the maturity falls within the liquidity horizon or the unrealised gains are realised. The deferred profits or losses on structured transactions that involve an upfront cash payment or receipt are presented on a discounted basis. The unwinding of the discounting effect is presented as interest income or expense.

The use of a mark-to-market accounting policy is normal in the industry in which the Group operates and is allowed under the amended Schedule 4, Part II, paragraph 34a of the Companies Act 1985.

Foreign currencies

The Group uses the euro as its reporting currency as the majority of its transactions are euro denominated. On consolidation, assets and liabilities of subsidiaries are translated into euros at closing rates of exchange. Exchange differences resulting from the retranslation of net investments in subsidiaries at closing rates, together with differences between income statements translated at average rates and at closing are dealt with in reserves. All other exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit for the year.

Operating leases

Rental costs under operating leases are charged to the profit and loss account as incurred.

Pensions

The Company operates a defined contribution group personal pension scheme available to its UK employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account any taxation deferred because of timing differences between the recognition of certain items for taxation and accounting purposes.

Accounting policies (continued)

Taxation (continued)

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:

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 differences can be deducted.

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

Dividends

Following the adoption of FRS 21, dividends are stated in the year in which they are declared.

2. Turnover

Turnover consists of the value of physical sales of energy products in the normal course of business and related services. Realised profits on derivatives as well as unrealised profits on open physical and derivative contracts are also included in turnover.

No geographical analysis is given, as, in the opinion of the directors, this would be, on a continuing basis, prejudicial to the interests of the Group.

Profit before taxation is attributable to the purchase and sale of energy products in the wholesale market and related activities and the associated operating expenses and financing costs.

At 31 December 2005, the Group net unrealised financial derivative asset was €373,325,000 (2004 unrealised profit: €158,538,000). Movement of €214,787,000 (2004: €136,635,000) in unrealised profits has been recognised in the consolidated profit and loss account for the year.

3. Operating profit

Operating profit is stated after charging:

	2005 €'000	2004 €'000
Auditors' remuneration		
- audit services	645	399
- other services	250	258
Depreciation of fixed assets	6,935	7,093
Rental of office premises	4,603	4,550
Loss from revaluation of monetary assets and liabilities	1,079	2,904

In 2005 auditors' remuneration relates to services provided by Deloitte & Touche LLP. In 2004 auditors' remuneration relates to services provided by Ernst & Young LLP and Deloitte & Touche LLP. The cost for Deloitte & Touche LLP audit services was €415,000 and for non-audit services €50,000. The cost for Ernst & Young LLP audit services was (€16,000) and for non-audit services €208,000.

Of the audit fees above, €645,000 relates to the Company (2004: €399,000).

EDF Trading Limited

Notes to the accounts
Year ended 31 December 2005

4. Staff costs

	2005 €'000	2004 €'000
Wages and salaries	58,192	39,799
Social security costs	7,325	4,149
Employer's contribution to group personal pension scheme	1,327	792
Total	66,844	44,740

The monthly average number of Group employees during the year was 247 (2004 - 239). The number of employees at the year-end was 261 (2004 - 242).

5. Directors' remuneration

	2005 €'000	2004 €'000
Emoluments	894	3,786
Company contributions paid to money purchase pension schemes	35	36
The amounts in respect of the highest paid director are:		
Emoluments	466	3,436
Company contributions paid to money purchase pension schemes	-	36
	No.	No.
The number of members of money purchase pension schemes	1	1

In addition, an amount of € 10,252,000 was paid to a former director during 2005 in final settlement of legal proceedings and other claims. Accruals were previously made by the Group in respect of such claims.

6. Interest receivable, interest payable and similar charges

	2005 €'000	2004 €'000
Interest receivable		
Interest on deposits and short-term investments	817	5,387
Interest charged to EDF group companies	7,053	1,782
Interest receivable from associated undertakings	503	-
Interest on margin calls and collateral	546	1,287
Unwinding of discount effect on long-term contract valuations	1,650	2,895
	10,569	11,351

6. Interest receivable, interest payable and similar charges (continued)

	2005 €'000	2004 €'000
Interest payable		
Interest on short term loans from banks	472	2,202
Interest charged by EDF group companies	545	378
Bank charges and other	1,666	2,396
	2,683	4,976

7. Taxation

	2005 €'000	2004 €'000
Current tax		
UK corporation tax on profits for the year	(106,247)	(88,289)
Foreign tax	(1,340)	(1,175)
Adjustment in respect of prior periods	52	(3,795)
Total current tax	(107,535)	(93,259)
Deferred tax (note 13)		
Origination and reversal of timing differences	2,393	(4,361)
Adjustment in respect of prior periods	(80)	3,516
Total deferred tax	2,313	(845)
Tax on profit on ordinary activities	(105,222)	(94,104)

	2005 €'000	2004 €'000
Tax reconciliation		
Profit on ordinary activities before tax	349,062	312,012
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(104,719)	(93,604)
Expenses not deductible for tax purposes	(488)	(73)
Timing differences	(2,393)	4,361
Higher tax rates on overseas earnings	(15)	(148)
Adjustment to tax charge in respect of prior periods	80	(3,795)
Total current taxation	(107,535)	(93,259)

8. Dividend

The Company paid a dividend of €70,000,000 in 2005 in the respect of the 2004 financial year (2004: €50,000,000 in respect of the 2003 financial year). A dividend of €125,000,000 was proposed by the directors on 7 April 2006. In accordance with Financial Reporting Standard 21, dividends will be accounted for in the year in which they are declared.

EDF Trading Limited

Notes to the accounts
Year ended 31 December 2005

9. Tangible fixed assets

Group	Gas storage cavities €'000	Plant & machinery €'000	Assets under construction €'000	Furniture & fittings €'000	Computer & communications equipment €'000	Leasehold improvements €'000	Total €'000
Cost:							
At 1 January 2005	12,062	23,889	16,734	1,852	15,000	6,312	75,849
Reallocation	93	15,413	(15,506)	-	-	-	-
Additions	1	154	5,291	65	2,606	139	8,256
Disposals	-	(5)	-	-	-	-	(5)
Exchange adjustment	405	1,216	169	6	8	5	1,809
At 31 December 2005	12,561	40,667	6,688	1,923	17,614	6,456	85,909
Accumulated Depreciation							
At 1 January 2005	(585)	(2,447)	-	(1,174)	(11,855)	(3,855)	(19,916)
Charge for the year	(334)	(1,636)	-	(482)	(3,005)	(1,478)	(6,935)
Disposals	-	2	-	-	-	-	2
Exchange adjustment	(27)	(157)	-	-	(7)	-	(191)
At 31 December 2005	(946)	(4,238)	-	(1,656)	(14,867)	(5,333)	(27,040)
Net book value							
At 31 December 2005	11,615	36,429	6,688	267	2,747	1,123	58,869
At 1 January 2005	11,477	21,442	16,734	678	3,145	2,457	55,933

Company	Furniture & fittings €'000	Computer & communications equipment €'000	Leasehold improvements €'000	Total €'000
Cost:				
At 1 January 2005	1,763	14,316	5,531	21,610
Additions	34	2,528	145	2,707
At 31 December 2005	1,797	16,844	5,676	24,317
Accumulated depreciation				
At 1 January 2005	(1,161)	(11,336)	(3,464)	(15,961)
Charge for the year	(453)	(2,894)	(1,362)	(4,709)
At 31 December 2005	(1,614)	(14,230)	(4,826)	(20,670)
Net book value				
At 31 December 2005	183	2,614	850	3,647
At 1 January 2005	602	2,980	2,067	5,649

10. Investments

Group	Share of net tangible assets 2005 €'000	Share of net tangible assets 2004 €'000
Associated undertakings		
At 1 January	4,545	-
Additions	-	4,545
At 31 December	4,545	4,545

Associated undertakings represent an investment in 16% of the shares and voting rights of ENAG Energiefinanzierungs AG, a company incorporated in Switzerland. The nature of the business conducted by the company is that of power trading. No goodwill arose on acquisition.

Company	Subsidiary undertakings 2005 €'000	Subsidiary undertakings 2004 €'000
Cost at 1 January	13,585	13,461
Investment in subsidiary undertaking	12,269	124
Cost at 31 December	25,854	13,585

During the financial year the Company increased the registered share capital of its wholly owned subsidiary EDF Trading (Switzerland) AG.

10. Investments (continued)

At 31 December 2005, the Company owned 100% of the shares and voting rights of the following subsidiaries:

Subsidiary undertakings	Country of incorporation or principal business address	Holding	Nature of business
EDF Energy Merchants Limited	Great Britain	Ordinary shares	Arranger on behalf of the Company
Compagnie d'Approvisionnement de Combustibles et Logistique, S.A. (*)	France	Ordinary shares	Coal & oil logistics
Energy and Investments Limited	Great Britain	Ordinary shares	Intermediate holding company
EDF Trading Electricidad y Gas, S.L.(*)	Spain	Ordinary shares	Not trading
Energy Merchants Gas Storage (UK) Limited	Great Britain	Ordinary shares	Natural gas storage
EDF Coal Far East Pte Limited	Singapore	Ordinary shares	Coal marketing
EDF Coal (Australia) Pty Limited	Australia	Ordinary shares	Coal marketing
EDF Trading (Switzerland) AG	Switzerland	Ordinary shares	Power trading

(*) Held indirectly through Energy and Investments Limited.

11. Stocks

	Group 2005 €'000	Company 2005 €'000	Group 2004 €'000	Company 2004 €'000
Natural gas	41,536	41,536	19,666	19,666
Trading coal stock	72,757	72,757	78,510	78,510
Emissions trading allowances	1,298	1,298	-	-
Other stock	13,332	12,949	16,089	15,584
	128,923	128,540	114,265	113,760

Other stocks consist mainly of coal purchased by the Company for supply to EDF. The Company is obliged to hold these stocks in reserve under the terms of an agreement with EDF. The cost of stocks held is estimated at €109,628,000 (2004: €96,691,000) for the Group and €109,245,000 (2004: €97,124,000) for the Company.

12. Debtors

Amounts falling due within one year:

	Group 2005 €'000	Company 2005 €'000	Group 2004 €'000	Company 2004 €'000
Third party trade debtors	5,576,307	5,573,569	3,017,509	3,015,957
Amounts receivable from EDF group companies	450,653	450,652	269,676	269,676
Amounts receivable from EDF under cash pooling	195,052	195,052	156,778	156,778
Amounts receivable from Group companies	-	81,723	-	86,231
Other debtors	248,423	202,160	180,912	136,313
Prepayments	10,294	9,114	11,213	9,960
Deferred tax (note 13)	2,276	5,824	-	1,489
	6,483,005	6,518,094	3,636,088	3,676,404

Amounts falling due after more than one year:

	Group 2005 €'000	Company 2005 €'000	Group 2004 €'000	Company 2004 €'000
Third party trade debtors	1,873,440	1,873,439	885,628	885,628
Prepayments	90,166	77,547	97,791	84,724
	1,963,606	1,950,986	983,419	970,352
Total debtors	8,446,611	8,469,080	4,619,507	4,646,756

Prepayments relate mainly to the initial payments made on the commencement of certain long-term power purchase agreements and are amortised to the profit and loss account over the life of the contracts.

13. Deferred tax

	Group 2005 €'000	Company 2005 €'000	Group 2004 €'000	Company 2004 €'000
Accelerated capital allowances	(3,305)	1,374	(1,999)	906
Other timing differences	3,679	4,450	165	583
Tax losses	1,529	-	1,480	-
	1,903	5,824	(354)	1,489

	Group €'000	Company €'000
Movement in deferred tax		
Balance at 1 January 2005	(354)	1,489
Foreign exchange	(56)	-
Deferred tax credit in profit and loss account (note 7)	2,313	4,335
Balance at 31 December 2005	1,903	5,824
Deferred tax debtor (note 12)	2,276	5,824
Deferred tax (note 16)	(373)	-
	1,903	5,824

The realisation of the deferred tax asset is dependent on the reversal of other timing differences and the future profitability of the Company and Group.

14. Creditors: amounts falling due within one year

	Group 2005 €'000	Company 2005 €'000	Restated Group 2004 €'000	Restated Company 2004 €'000
Loans				
Loan from EDF group company	12,215	12,215	16,024	16,024
Other creditors				
Third party trade creditors	4,664,530	4,656,985	3,014,018	3,006,111
Amount owed to EDF group companies	328,301	328,301	215,748	215,748
Amount owed to Group companies	-	9,545	-	8,638
Corporation tax	55,604	56,095	47,523	50,300
Accruals and other creditors	284,311	274,241	117,809	103,007
Other taxes and social security costs	4,321	4,127	5,155	3,861
	5,337,067	5,329,294	3,400,253	3,387,665
Creditors falling due within one year	5,349,282	5,341,509	3,416,277	3,403,689

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

	Group 2005 €'000	Company 2005 €'000	Group 2004 €'000	Company 2004 €'000
Third party trade creditors	2,634,194	2,634,194	881,250	881,250

Third party creditors due after more than one year relate to open derivative trades and deferred income on certain structured deals. There is no interest payable on these amounts.

16. Provisions for liabilities and charges

	Group 2005 €'000	Company 2005 €'000	Group 2004 €'000	Company 2004 €'000
Deferred tax (note 13)	373	-	354	-
Provision for decommissioning	1,291	-	1,183	-
Other provisions	1,297	-	1,825	-
	2,961	-	3,362	-

Decommissioning provision

A provision is recognised for expected dismantling of equipment and rectification of land used for gas storage. The provision assumes that most of these costs will be incurred in approximately 36 years.

	2005 €'000	2004 €'000
At 1 January	1,183	1,127
Unwinding of the discount	69	63
Exchange adjustment	39	(7)
At 31 December	1,291	1,183

Other provisions

Other provisions relate to the cost of restoring railcars and sites used in the Group's coal logistics operation.

	2005 €'000	2004 €'000
At 1 January	1,825	2,057
Released to profit and loss account	(528)	(232)
At 31 December	1,297	1,825

17. Called up share capital

	2005 No'000	2005 €'000	2004 No'000	2004 €'000
Authorised, called up, allotted and fully paid				
Ordinary shares of €1 each	81,000	81,000	81,000	81,000
	81,000	81,000	81,000	81,000

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

Group	Share capital 2005 €'000	Capital redemption reserve 2005 €'000	Foreign currency translation reserve 2005 €'000	Profit and loss account 2005 €'000	Total Shareholder's funds 2005 €'000	Restated Total Shareholder's funds 2004 €'000
Restated at 1 January	81,000	9,138	(2,619)	442,441	529,960	363,288
Profit for the year	-	-	-	243,840	243,840	217,908
Dividends	-	-	-	(70,000)	(70,000)	(50,000)
Foreign exchange adjustment	-	-	1,317	-	1,317	(1,236)
At 31 December	81,000	9,138	(1,302)	616,281	705,117	529,960

Company	Share capital 2005 €'000	Capital redemption reserve 2005 €'000	Foreign currency translation reserve 2005 €'000	Profit and loss account 2005 €'000	Total Shareholder's funds 2005 €'000	Restated Total Shareholder's funds 2004 €'000
Restated at 1 January	81,000	9,138	(1,557)	430,204	518,785	355,580
Profit for the year	-	-	-	238,589	238,589	214,376
Dividends	-	-	-	(70,000)	(70,000)	(50,000)
Foreign exchange adjustment	-	-	731	-	731	(1,171)
At 31 December	81,000	9,138	(826)	598,793	688,105	518,785

19. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash flow from operating activities:

	Group 2005 €'000	Group 2004 €'000
Operating profit	341,176	305,637
Depreciation	6,935	7,093
Increase in trade debtors and other debtors	(3,786,605)	(1,363,433)
Increase in stocks	(14,658)	(20,662)
Increase in trade creditors, other creditors and accruals	3,681,061	1,131,315
Foreign currency exchange movements	(1,777)	(938)
Movement in provisions and other non-cash items	2,034	(22)
Net cash flow from operating activities	228,166	58,990

(b) Analysis of net funds

	At 1 January 2005 €'000	Foreign Currency movements €'000	Cash flow €'000	At 31 December 2005 €'000
Cash at bank and in hand	25,239	274	14,293	39,806
Group cash pooling activities (note 12)	156,778	3,362	34,912	195,052
Current asset investments	11,360	-	1,440	12,800
Debt due within one year (note 14)	(16,024)	(2,121)	5,930	(12,215)
	177,353	1,515	56,575	235,443

Current asset investments

Current asset investments include short-term money market investments, floating rate notes and other marketable securities.

Group cash pooling activities

The Group cash pools euro, sterling and United States dollar cash balances on a daily basis. The cash pooled balances are interest bearing and are callable on demand. The amount of cash pooled at 31 December 2005 was €195,052,000 (2004: €156,778,000) disclosed within debtors (note 12).

20. Pension commitments

The Group makes payments into a defined contribution group personal pension scheme for its UK employees. Contributions are made based on a percentage of the employees' salary. The unpaid contributions outstanding at the year-end, included in 'Accruals and other creditors' (note 14), are €143,000 (2004: €83,000).

21. Commitments and contingencies

The Group's commitments are as follows:

	Group 2005 €'000	Company 2005 €'000	Group 2004 €'000	Company 2004 €'000
Capital expenditure commitments	10,600	-	13,158	-
Lease commitments				
Annual amounts for leases of land and buildings using year end exchange rates:				
Between one and five years	73	73	71	71
After five years	3,141	2,840	3,048	2,749
	3,214	2,913	3,119	2,820

Contingent liabilities

The Company and Group have given bank guarantees and letters of credit to various counterparties in relation to energy trading and transportation activities. No material losses are likely to arise from such contingent liabilities. The value of these commitments at the year end is €236,110,000 (2004: €93,884,000).

22. Related party transactions

The Company has taken advantage of the exemption given to subsidiaries by Financial Reporting Standard 8, paragraph 3 (c), from disclosing related party transactions with other group companies.

23. Ultimate parent company

Electricité de France S.A. ("EDF"), incorporated in France, is the immediate and ultimate parent undertaking of the Group for which group accounts are prepared, and is the controlling entity. Copies of the group accounts of EDF can be obtained from the registered office at 22-30 Avenue de Wagram, 75008 Paris, France.