



EDF ENERGY PLC

Registered Number 2366852

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005



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Directors

Vincent de Rivaz (Chief Executive)
Daniel Camus (Chairman)
Humphrey A E Cadoux-Hudson (Chief Financial Officer)
Yann Laroche
Gerard Menjon
Didier Calvez

Company Secretary

Thibaut Brac de La Perriere

Auditors

Deloitte & Touche LLP
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 principal activities of EDF Energy plc and subsidiaries (together the "Group" or "EDF Energy") during the year continued to be the provision and supply of electricity and gas to commercial, residential and industrial customers, the provision of services relating to energy, including purchasing of fuel for power generation, the generation of electricity and the operation of public and private distribution networks. The Group will continue in this activity for the foreseeable future.

Results and dividends

On 1 January 2005 the Group moved from UK generally accepted accounting practices ("UK GAAP") to International Financial Reporting Standards ("IFRS"). The comparative figures for 2004 have also been restated to accord with relevant IFRS requirements. The effect of this move is discussed in note 2 to the accounts. The profit for the year, before taxation, amounted to £430.5m (2004: £503.2m) and after taxation, associates to £291.8m (2004: £400.5m). Dividends paid during the year amounted to £96.0m (2004: £85.7m).

Events since the balance sheet date

On 11 January 2006, the Group increased its investment in Barking Power Limited to 18.586% for consideration of £8.9m. Barking Power Limited will continue to be accounted for as an associate.

Future developments

Despite exceptional rises in the energy market prices in 2005, the Group has managed to limit the rise of its energy costs to 29% compared to a market rise of 67% in gas and 70% in electricity year on year (price rises based on average day-ahead prices on the spot market between 2004 and 2005). The Group has achieved this through its vertical integration and a hedging strategy implemented together with EDF Trading, a sister organisation of the Group. In addition, environmental costs doubled (totalling €227m (2004: €138.3m) for Renewable Obligation, Levy Exemption and Carbon Certificates) in 2005. EDF Energy maintained its margin by an overall 22% increase in prices, including two retail tariff increases totalling an average of 16% in the year for electricity and 20% for gas. The Customer base continued to grow despite a highly competitive market with customer product numbers increasing to 5,052,000 at the end of 2005, a net gain of 181,000 in the year. Major Business under a unified brand was ranked for the first time in 2005 as the largest supplier in the UK by Data Monitor on the back of a 4% increase in volumes to reach 33.3TWh.

The Distribution Price Control Review 4 came into effect on 1 April 2005 for the distribution networks in the South, East and London. As a result of this review, increased efficiency and higher capital investment are anticipated in the public network going forward.

The Directors expect to see continued growth from the Development Branch (private networks) with existing and new contracts. The Directors hope to see continued growth in the development of electrical infrastructure for private and public customers.

DIRECTORS' REPORT continued

Risks

The following reflects the key risks arising as a result of the Group's use of financial instruments, together with a summary of the Group's approach to managing those risks. The accounting basis for dealing with these risks is discussed in the accounting policy section below.

Commodity price risk

Commodity price risk arises from the forecast customer demand for gas, coal and electricity. Due to the vertically integrated nature of the Group the electricity procured from the generation business provides a natural hedge for the electricity demand from the retail business. Any residual exposure to movements in the price of electricity, gas or coal is mitigated by entering into contracts and hedging options on the forward markets. Risk of loss is monitored through establishment of approved counterparties and maximum counterparty limits and minimum credit ratings.

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings and deposits is managed principally through the use of fixed rate debt instruments and swap agreements. The Group's policy is to use derivatives to reduce exposure to short term interest rates and not for speculative purposes.

Foreign currency risk

The Group's present exposure to foreign currency risk is limited to the currency exposure on the service of interest and capital on US dollar and Euro denominated debt, and the purchase of energy sources for generation activity. The Group policy is to hedge/fix known currency exposures as they arise. The US Dollar and Euro currency swap agreements fix the Sterling equivalent that will be required to service the interest and capital repayments of foreign currency debt instruments. The Group enters into forward currency purchase contracts to fix the Sterling price for future foreign currency denominated transactions.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and amounts recoverable under long term contracts. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of external counterparties and customers. Due to the nature of the Group's trading with other EDF Group companies in Europe, there are large trading balances with other Group companies, however these are not considered to be a risk because of parent company financial support.

Directors and their interests

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

Daniel Camus	Chairman
Vincent de Rivaz	Chief Executive
Humphrey A E Cadoux-Hudson	Chief Financial Officer
Yann Laroche	
Gerard Menjon	
Didier Calvez	

Vincent de Rivaz and Humphrey Cadoux-Hudson are employed by and have service contracts with the Company. The remaining Directors are employed by and have service contracts with the ultimate parent company Electricité de France S.A.

There are no contracts of significance during or at the end of the financial year in which a Director of the Company has a material interest.

DIRECTORS' REPORT continued

Directors and their interests continued

None of the Directors who held office at the end of the financial year had an interest in the shares of the Company or any Group company that is required to be disclosed in accordance with the Companies Act 1985.

Political and charitable contributions

During the year, the Company made various charitable contributions totalling £615,916 (2004: £1,923,889) and no political contributions (2004: £nil).

Creditors payment policy

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

- settle the terms of payment with those creditors/suppliers when agreeing the terms of each transaction;
- ensure that those creditors/suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts;
- 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 Group had an average of 74 days (2004 – 56 days) purchases outstanding in its trade creditors.

Employee involvement

The Group keeps its employees informed on matters affecting them. This is carried out in a number of ways, including formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet.

Equal opportunities

The Group is fully committed to ensuring that all current and potential future employees and customers are treated fairly and equally, regardless of their gender, marital status, disability, race, colour, nationality or ethnic origin. The Group provides equal opportunities for employment, training and development, having regard to particular aptitudes and abilities. In the event of employees becoming disabled during employment, where possible, assistance and retraining is given so that they may attain positions compatible with their ability.

Going concern

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT continued

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

A handwritten signature in black ink, appearing to read 'T. Brac de la Perriere', written over a horizontal line.

Thibaut Brac de la Perriere
Company Secretary
30 June 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definition and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REPORT ON CORPORATE GOVERNANCE

The 2003 Combined Code includes a requirement for listed companies that the effectiveness of the system of internal control, including financial, operational, compliance controls, and risk management, is reviewed by the Directors. In addition, the Internal Control: Guidance for Directors on the Combined Code (the Turnbull Report) which was published in September 1999, provides guidance to Directors in respect of this requirement.

As a company holding listed debt only, as well as being a subsidiary of Electricité de France S.A ("EDF"), EDF Energy has no requirement to comply with the 2003 Combined Code. However, EDF Energy supports the principles set out in the Turnbull Committee Guidelines on risk management. Accordingly, the Board of Directors has decided to adopt the Turnbull Committee Guidelines and is committed to complying with these as best practice on a voluntary basis. In addition, the Board will be supporting compliance by Electricité de France S.A with the Loi de Sécurité Financière.

The Corporate Risk Assurance Policy, implemented in 2003, is a statement of what the organisation is seeking to achieve by actively managing risk. It defines a governance structure together with roles and responsibilities that will allow the Group to:

- promptly and continuously identify, evaluate, effectively control and report new and continuing risks that are significant to the Group;
- promote a consistent and comprehensive approach to Risk Management throughout the Group, with strong ownership at Branch level;
- maintain a record of significant risks faced by each Branch and Corporate Function, together with remedial action plans and progress reports consolidated into a risk register for the Group; and
- promote the development of risk control as a core business process and to provide a framework and awareness for exploiting opportunities, and containing or preventing loss.

In addition, Risk Management guidelines have been developed to provide a standard approach to Risk Management and to facilitate a meaningful consolidation of Group risks.

Internal Control

The Board (through the Audit Committee) is responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The key elements of the Group's system of internal control include:

Risk identification and control

The Director of Governance and Group Synergies is responsible for maintaining an oversight of Group risk management, working closely with the Branches and corporate functions to ensure that their risk management activities complement each other, and enhance the overall Group position. The objectives are to provide assurance that management of risks is effectively managed and embedded in day to day activities, that risk management activity has sufficient visibility and that there is transparency around decision making processes.

REPORT ON CORPORATE GOVERNANCE continued

The relationship between Management Audit and Risk Assurance requires Risk Assurance to be primarily responsible for ensuring the identification of risks and their mitigation and Management Audit to be responsible for review of the mechanisms that provide assurance.

Specific Risk Management Committees have been established where required and operate to address specific risk areas including energy trading risk and health and safety.

Control environment

The Group is committed to the highest standard of business conduct. The Group is appropriately structured according to business areas. Lines of responsibility and levels of authority are formally documented.

Control activities

Control procedures have been implemented throughout the Group and are designed to ensure complete and accurate accounting for financial transactions, to safeguard the Group's assets and to ensure compliance with laws and regulations. There are control processes to establish budgets, financial and service targets in each business unit/subsidiary against which performance is monitored in detail and agreements under which relationships with partners in joint ventures are controlled. High level reporting is made by business units/subsidiaries and functional heads at corporate level to the Group Executive Committee and the Board. The Group Executive Committee defines authority given to individual officers of the Group. The Committee also approves the operating plan and budget, authorises individual projects within that plan and approves the award of contracts either directly or by delegated authority within agreed limits. Membership of the Committee comprises the Group Chief Executive Officer, Branch Chief Operating Officers and Corporate Directors.

Information and communication

Staff policies are in place to ensure that employees are competent, have appropriate skills and receive information required to effectively perform their roles. The Group's intranet is widely used to communicate information to staff.

Monitoring and corrective action

Group performance is continually monitored. Branch Chief Operating Officers and Managing Directors report regularly on operating performance.

The Audit Committee is a sub-committee of the Board with advisory responsibility for issues related to Corporate Governance, risk and control. This covers all aspects of risk management and the system of internal control including both financial, operational and compliance controls. The scope includes all EDF Energy plc companies but ultimate responsibility remains with the Board. Membership includes appointed non-executive representatives from EDF.

The Executive Committee and Audit Committee receive reports of key risks from the business units. These reports include for each risk an assessment of the likelihood of the risk occurring and the associated impact. The risk reports include the key mitigating controls and an assessment by the business units of their adequacy.

From 1 January 2005 the internal audit activities in the Group were provided by the UK Office of the EDF Corporate Audit department ("The UK Audit Office"). The UK Audit Office reviews the operation of internal controls using a risk-based methodology. The UK Audit Office reports periodically to the Group Executive Committee and half yearly to the Audit Committee. Assignments are determined by reference to the risk framework and discussions with senior management including members of the Group Executive Committee.

REPORT ON CORPORATE GOVERNANCE continued

Effectiveness review

The Group is continuously making improvements to the system of internal control. The Loi de Sécurité Financière requires the chairman of Electricité de France S.A to annually report on the internal control procedures in place in the Group. A revised Internal Control and Audit Policy has recently been introduced, which requires, inter alia, that as from the end of 2007 the Chief Executive Officer of EDF Energy provides an annual report of the quality of the internal control system.

Material weaknesses

Significant weaknesses in internal control are reported to the Group Executive Committee and, if appropriate, to the Audit Committee.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY PLC

We have audited the Group and parent Company financial statements (the "financial statements") of EDF Energy plc for the year ended 31 December 2005 which comprise the consolidated income statement, the consolidated and individual Company balance sheets, the consolidated and individual Company cash flow statements, the consolidated and individual statement of changes in equity shareholders' equity, and the related notes 1 to 44. 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 law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union 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 financial reporting framework and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you if, in our opinion, the Directors' report is not consistent with the financial statements. We also report to you if the Group 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 other transactions 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY PLC continued

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit for the year then ended;
- the individual Company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the requirements of the Companies Act 1985, of the state of the individual Company's affairs as at 31 December 2005; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London
30 June 2006

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER**

	<i>Note</i>	2005 £m	2004 £m
Continuing operations			
Revenue	5	4,574.6	3,975.4
Fuel and energy purchases		(2,289.9)	(1,801.3)
Gross margin		2,284.7	2,174.1
Other operating expenses		(986.2)	(918.7)
Other operating income	5	37.1	84.3
Personnel expenses	8	(382.3)	(347.6)
Profit before depreciation, amortisation, tax and finance costs		953.3	992.1
Depreciation and amortisation	6	(298.6)	(277.6)
Operating profit		654.7	714.5
Investment revenue	5, 10	24.3	29.8
Finance costs	11	(248.5)	(241.1)
Profit before taxation		430.5	503.2
Taxation	12	(156.6)	(117.9)
Profit after taxation		273.9	385.3
Share of profit of associates	20	17.9	15.2
Profit for the financial year		291.8	400.5
Attributable to:			
Equity holders of the parent	37	291.6	402.3
Minority interests	32	0.2	(1.8)
		291.8	400.5

**BALANCE SHEETS
AT 31 DECEMBER**

		Group		Company	
	<i>Note</i>	2005 £m	2004 £m	2005 £m	2004 £m
Non-current					
Goodwill	14	1,257.3	1,257.3	-	-
Other intangible assets	16	174.5	104.6	129.0	77.3
Property, plant and equipment	17	6,734.0	6,372.7	42.6	39.1
Investments in subsidiary undertakings	19	-	-	2,298.1	2,325.9
Investments in associates	20	49.3	38.2	-	-
Long term receivables	22	15.6	12.1	3.8	3.8
Deferred tax asset	31	-	-	-	4.9
		8,230.7	7,784.9	2,473.5	2,451.0
Current assets					
Inventories	23	148.3	123.5	104.5	77.9
Trade and other receivables	24	1,371.0	1,045.6	806.2	620.8
Cash and cash equivalents	26	166.1	189.7	8.6	-
Derivatives and other financial instruments	29	573.9	-	573.9	-
		2,259.3	1,358.8	1,493.2	698.7
Non-current assets classified as held for sale	18	13.6	10.3	3.6	-
Total assets		10,503.6	9,154.0	3,970.3	3,149.7
Current liabilities					
Trade and other payables	27	(2,539.7)	(2,215.2)	(947.0)	(740.7)
Current tax liabilities		(22.5)	(44.7)	-	-
Obligations under finance lease	33	(11.5)	(12.3)	-	-
Interest bearing liabilities	28	(1,473.4)	(904.1)	(670.8)	(690.2)
Derivatives and other financial instruments	29	(170.5)	-	(128.0)	-
Short term provisions	30	(155.4)	(64.6)	(16.0)	(18.3)
		(4,373.0)	(3,240.9)	(1,761.8)	(1,449.2)
Non-current liabilities					
Obligations under finance lease	33	(337.7)	(349.2)	-	-
Interest bearing liabilities	28	(2,225.0)	(2,550.3)	(343.6)	(347.0)
Deferred tax liability	31	(940.1)	(751.7)	(133.0)	-
Long term provisions	30	(110.7)	(180.3)	(4.5)	(4.0)
Post employment benefits provision	40	(314.5)	(345.0)	(19.4)	(18.4)
		(3,928.0)	(4,176.5)	(500.5)	(369.4)
Total liabilities		(8,289.3)	(7,417.4)	(2,262.3)	(1,818.6)
Net assets		2,202.6	1,736.6	1,708.0	1,331.1

BALANCE SHEETS continued
AT 31 DECEMBER

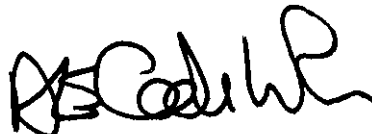
Equity					
Share capital	35	1,296.6	1,296.6	1,296.6	1,296.6
Share premium account	36	13.9	13.9	13.9	13.9
Capital reserves	36	21.6	11.0	13.1	11.0
Hedging reserve	38	259.6	-	289.8	-
Retained earnings	37	608.7	413.1	94.6	9.6
Equity attributable to equity holders of the parent		2,200.4	1,734.6	1,708.0	1,331.1
Minority interest	32	2.2	2.0	-	-
Total equity		2,202.6	1,736.6	1,708.0	1,331.1

The accounts on pages 12 to 79 were approved by the Board of Directors on
and were signed on its behalf by:

30 June 2006



Vincent de Rivaz
Director



Humphrey A E Cadoux-Hudson
Director

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER**

		GROUP		COMPANY	
	<i>Note</i>	2005 £m	2004 £m	2005 £m	2004 £m
Net cash from operating activities	39	561.9	791.6	(84.1)	200.1
Investing activities					
Purchase of property, plant and equipment		(674.0)	(677.6)	(24.4)	(13.4)
Receipts of customer contribution		139.3	142.8	-	-
Proceeds from sale of property, plant and equipment		34.1	74.4	25.5	51.2
Payments to increase share of associates		(14.7)	(9.2)	-	-
Receipts from sale of associates		-	32.4	-	29.5
Interest element of finance lease rental payments		(23.2)	(27.4)	-	-
Dividends received from investments		-	0.9	206.0	40.2
Net cash (used in)/from investing activities		(538.5)	(463.7)	207.1	107.5
Financing activities					
Dividends paid to equity holders of the parent		(96.0)	(85.7)	(96.0)	(85.7)
Repayment of obligations under finance leases		(12.3)	(6.9)	-	-
Proceeds from borrowings		485.2	323.2	287.1	-
Repayment of borrowings		(216.0)	(307.7)	-	(125.7)
Issuance of intra-group loans		-	(32.4)	-	-
Interest received		12.3	9.2	79.0	71.1
Interest paid		(220.0)	(198.3)	(78.0)	(57.7)
Deposit in short term investments		69.2	(80.3)	(8.6)	-
Net cash (used in)/from financing activities		22.4	(378.9)	183.5	(198.0)
Net (decrease)/ increase in cash and cash equivalents		45.8	(51.0)	306.5	109.6
Cash and cash equivalents at 1 January		83.0	134.0	(330.8)	(440.4)
Cash and cash equivalents at 31 December	26	128.8	83.0	(24.3)	(330.8)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP

	Share Capital £m	Share Premium £m	Capital Reserves £m	Hedging Reserve £m	Retained Earnings £m	Minority Interest £m	Total equity £m
At 1 January 2004	1,296.6	13.9	11.0	-	96.5	3.8	1,421.8
Profit for the year	-	-	-	-	402.3	(1.8)	400.5
Equity dividends	-	-	-	-	(85.7)	-	(85.7)
At 1 January 2005	1,296.6	13.9	11.0	-	413.1	2.0	1,736.6
Effect of adoption of IAS 39	-	-	-	(6.2)	-	-	(6.2)
Deferred taxation on adoption of IAS39	-	-	-	1.8	-	-	1.8
As restated	1,296.6	13.9	11.0	(4.4)	413.1	2.0	1,732.2
Share-based payments	-	-	10.6	-	-	-	10.6
Net gains on cash flow hedges	-	-	-	380.9	-	-	380.9
Deferred taxation on net gains on cash flow hedges	-	-	-	(116.9)	-	-	(116.9)
Total income for the year recognised directly in equity	-	-	10.6	264.0	-	-	274.6
Profit for the year	-	-	-	-	291.6	0.2	291.8
Total income for the year	-	-	10.6	259.6	291.6	0.2	566.4
Equity dividends	-	-	-	-	(96.0)	-	(96.0)
At 31 December 2005	1,296.6	13.9	21.6	259.6	608.7	2.2	2,202.6

**STATEMENT OF CHANGES IN EQUITY
COMPANY**

	Share Capital £m	Share Premium £m	Capital Reserves £m	Hedging Reserve £m	Retained Earnings £m	Total equity £m
At 1 January 2004	1,296.6	13.9	11.0	-	27.8	1,349.3
Profit for the year	-	-	-	-	67.5	67.5
Equity dividends	-	-	-	-	(85.7)	(85.7)
At 1 January 2005	1,296.6	13.9	11.0	-	9.6	1,331.1
Effect of adoption of IAS 39	-	-	-	18.4	-	18.4
Deferred taxation on adoption of IAS39	-	-	-	(5.5)	-	(5.5)
As restated	1,296.6	13.9	11.0	12.9	9.6	1,344.0
Share-based payments	-	-	2.1	-	-	2.1
Net gains on cash flow hedges	-	-	-	396.6	-	396.6
Deferred taxation on net gains on cash flow hedges	-	-	-	(119.7)	-	(119.7)
Total income for the year recognised directly in equity	-	-	2.1	276.9	-	279.0
Profit for the year	-	-	-	-	181.0	181.0
Total income for the year	-	-	2.1	276.9	181.0	460.0
Equity dividends	-	-	-	-	(96.0)	(96.0)
At 31 December 2005	1,296.6	13.9	13.1	289.8	94.6	1,708.0

NOTES TO THE FINANCIAL STATEMENTS

1. General information

EDF Energy plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The nature of EDF Energy plc and its subsidiaries' (together the "Group" or "EDF Energy") operations and its principal activities are set out in note 4 and in the Directors' Report on pages 2 - 5.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2. Significant accounting policies

Basis of preparation

In the current year the Group has adopted all applicable International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005 and endorsed by the EU (IFRS). The financial statements have been prepared in accordance with IFRS for the first time and comparative information has been presented on a consistent basis where relevant (see also below). The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 42.

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value.

Adoption of new and revised International Financial Reporting Standards

At the date of authorisation of these financial statements, the following Standards and interpretations were in issue but not yet effective and therefore not adopted:

- IFRS4 Insurance Contracts. Amendment for financial guarantee contracts
- IFRS6 Exploration for and Evaluation of Mineral Assets
- IFRS7 Financial Instruments: Disclosures
- IFRIC 4 Determining whether an arrangement contains a lease
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8 Scope of IFRS2
- IFRIC 9 Reassessment of embedded derivatives
- IFRIC D12-D14 Service Concession Arrangements

The Directors anticipate that the adoption of these Standards and Interpretations in future periods (with the exception of IFRIC4) will have no material impact on the financial statements of the Group, except to provide some additional disclosure. Due to the nature of some of the contracts within the Group, IFRIC4, as well as the draft interpretations IFRIC D12-D14 may potentially have a significant impact on the Group. Work is currently being undertaken to assess this impact and there are currently no reasonable estimations available on the size of the impact.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

IFRS1 Exemptions

The Group's date of transition to IFRS is 1 January 2004. On transition to IFRS, the Group has taken advantage of the following exemptions to assist groups with the transition process contained within IFRS1:

- Business combinations; the Group has elected to allow business combinations which were effected before the IFRS transition date to be exempted from restatement under IFRS3 "Business combinations".
- Employee benefits; the cumulative actuarial losses relating to pensions and other post retirement benefits at the date of transition to IFRS have been recognised in retained earnings.
- Financial instruments; the Group has elected not to prepare comparative financial information for the year ended 31 December 2004 in accordance with IAS32, Financial Instruments: Disclosure and Presentation ("IAS 32") and IAS39, Financial Instruments: Recognition and Measurement ("IAS 39"). These standards have been applied with effect from 1 January 2005. The Group has continued to use its previous UK GAAP accounting policy in preparing the financial information for the year ended 31 December 2004.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intercompany balances, and transactions, including unrealised profits arising from intra-group transactions, are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

No income statement is presented for EDF Energy plc (the Company) in accordance with the exemptions allowed by Section 230 of the Companies Act 1985. The profit dealt with in the Company for the year was £181.0m before dividends paid (2004: £67.5m).

Business combinations

The Group accounts for purchases of subsidiaries using the purchase method. The cost is measured as the total fair value on the date of acquisition of assets, liabilities and equity instruments given as consideration, plus any costs directly incurred in the purchase. The assets and liabilities acquired are measured at fair value on the date of acquisition, except for assets and liabilities held for sale which are measured at fair value less costs of disposal.

Any minority interest in the acquired entity is initially measured at the minority proportion of the fair value of assets and liabilities recognised.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate less any impairment in the value of individual investments. Losses of the associates in excess of the group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets, of the associate at the date of acquisition is recognised as goodwill netted in the investment. Any deficiency of the cost of acquisition below the Group's share of the fair value of the net identifiable assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the income statement in the period of acquisition.

Where a group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Interest in joint ventures

The Group's interest in its joint ventures are accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units and these are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the income statement and is not reversed in a subsequent period.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Other intangible assets

Other intangible assets mainly consist of IT software and EU emission certificates. IT software is initially recognised at cost and is amortised over a useful economic life of 3-8 years.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

EU Emissions trading scheme

The Group recognises its free emissions allowances received under the National Allocation Plan at nil cost. Purchased emissions allowances are initially recognised at cost (purchase price) within intangible assets. A liability is recognised when the level of emissions exceed the level of allowances granted. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date. Movements are recognised within operating profit. Forward contracts for the purchase or sale of emissions allowances are measured at fair value with gains and losses arising from changes in fair value recognised in the Income Statement. The intangible asset is surrendered at the end of the compliance period reflecting the consumption of economic benefit. As a result no amortisation is recorded during the period.

Foreign currency translation

The functional and presentation currency of EDF Energy plc is Pounds Sterling. Transactions in foreign currency are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the Consolidated Income Statement.

Revenue recognition

Revenue is measured at the fair value of the consideration or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed. Revenue from electricity distribution includes an estimate of the sales value of units and therms supplied to customers between the date of the last meter reading and the year end, and the invoice value of other goods sold and services provided.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Interest income is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset and charged to income as follows:

Generation assets	–	10 to 30 years
Network assets	–	10 to 60 years
Freehold land	–	Not depreciated
Other buildings		
-freehold	–	Up to 40 years
-leasehold	–	Lower of lease period or 40 years
Vehicles and mobile plant	–	5 to 10 years
Fixtures and equipment	–	3 to 8 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Contributions received from third parties towards distribution network assets, which include capital grants, are credited to the balance sheet as deferred income on receipt and amortised to the income statement over the lives of the distribution network assets to which they relate.

Non-current assets classified as held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Inventories

Inventories are valued 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:

Raw materials, consumables and goods for resale	Purchase cost on a weighted average cost basis
Work in progress and finished goods	Cost of direct materials and labour plus attributable overheads based on a normal level of activity
Net realisable value	Based on estimated selling price less any further costs expected to be incurred to completion and disposal.

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

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Long term contracts

Where the outcome of a long term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally recognised by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a long term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term. Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability, with charges being recognised directly in the income statement.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Taxation

The income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Retirement benefit costs

The Group operates defined benefit pension schemes. The cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains or losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation or the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised on the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Trade receivables

Trade receivables are measured at initial recognition at original invoice amount and are subsequently measured at fair value. An allowance is recognised in the income statement for irrecoverable amounts when there is evidence that the asset is impaired. The allowance is calculated as the difference between the carrying amount and the expected future cash flows from the asset.

Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and other short-term liquid investments which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities are classified according to the nature of the contractual obligations, and are based on the definition of liability. An equity instrument is a contract that evidences a residual interest in the assets of the Group.

Interest bearing loans and borrowings

Interest-bearing bank loans and overdrafts are initially measured at proceeds received, net of direct issue costs. Foreign currency denominated bank loans and overdrafts are restated at closing exchange rates with any movements going through the income statement unless it is designated as a cash flow hedge. Any differences between the proceeds and the settlement/redemption of the borrowings are measured recognised over the life of the instrument.

Trade payables

Trade payables are measured at fair value.

Derivatives and other financial instruments and hedge accounting

The Group's activities expose it to fluctuations in foreign exchange rates, interest rates and commodity prices including sale and purchase prices of gas, coal and electricity.

The Group uses derivatives and other financial instruments to hedge its risks associated with price fluctuations relating to forecasted transactions and contractual obligations. Foreign currency risk arises from bonds which are denominated in foreign currencies. The Group's policy is to hedge/fix known currency exposures through currency swap agreements that fix the Sterling equivalent that will be required to service the debt.

Commodity price risk arises from the forward purchases of gas, coal and electricity. When commodity contracts have been entered into as part of the Group's normal business activity, the Group seeks to classify them as "own use" contracts and outside the scope of IAS 39. This is achieved when:

- a physical delivery takes place under all such contracts;
- the volumes purchased or sold under the contracts correspond to the Group's operating requirements; and
- the contracts are not considered as written options as defined by the standard.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Commodity contracts not qualifying as 'own use' which also meet the definition of a derivative are within the scope of IAS39. This includes both financial and non-financial contracts.

The use of derivatives and other financial instruments is governed by the Group's policies, approved by the Board of Directors. The Group does not use derivatives and other financial instruments for speculative purposes.

Derivatives and other financial instruments are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair values of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in equity with any ineffective element being recognised immediately through income.

Changes in the fair value of derivatives and other financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument is sold, terminated, exercised or no longer qualifies as hedging instrument. At that time, for any forecast transactions, the cumulative gain or loss is retained in equity until the forecasted transaction occurs. If the transaction is no longer expected to occur, any gain or loss is recognised immediately in the income statement for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, and the host contract is not carried at fair value with unrealised gains or losses reported in the income statement.

Financial instruments – accounting to 31 December 2004

In accordance with the transition methods under IFRS1, the group has taken the exemption from restating prior year information for the effects of IAS 32 and IAS 39. If IAS 32 and IAS 39 had been adopted and applied in 2004, compliance with the standards would have been achieved through fair-valuing financial instruments and increasing the level of disclosure. The accounting policies which applied to financial instruments prior to adoption of IAS 32 and IAS 39 are below:

Interest-bearing loans and borrowings

Interest bearing loans and borrowings are initially measured at cost, which is the fair value of proceeds received less any issue costs.

Derivatives and other financial instruments

Amounts payable or receivable in respect of swaps are recognised as adjustments to interest expense over the period of the contract. Interest rate swaps are not revalued to fair value or shown on the Group balance sheet at the year-end. If the debt instrument being hedged by the interest rate swaps were to be extinguished, any gain or loss attributable to the swaps would be recognised in the period of the transaction.

The Group's exposure to foreign currency risk is limited by the hedged currency exposure on the service of interest and capital on US dollar and Euro denominated debt, and the purchase of energy sources for generation activity in currencies other than pound sterling. The Group policy is to hedge/fix known currency exposures as they arise. The currency swap agreement fixes the Sterling equivalent that will be required to service the debt.

The foreign exchange rates under the US Dollar and Euro currency swap agreements are used to record the instrument. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed, or probable, future transaction, are deferred until the transaction occurs.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Significant accounting policies continued

Due to the vertically integrated nature of the Group the electricity demand from the retail business provides a natural hedge for the electricity procured from the generation business. Any residual exposure to movements in the price of electricity, gas or coal is mitigated by entering into contracts and hedging options on the forward markets. Risk of loss is mitigated through establishment of approved counterparties and maximum counterparty limits and minimum credit ratings.

Gains and losses on gas, electricity and coal contracts designated as cash flow hedges are deferred and recognised in the income statement when the hedged transaction occurs. Gains and losses on any contracts which have not been designated as cash flow hedges are credited/charged to the income statement in the period in which they arise.

Share based payments

EDF Energy plc's ultimate parent company, Electricité de France S.A ("EDF") is partially listed on Euronext, the French stock exchange. Any share-based payments to employees are measured at fair value at the date the shares are issued. The fair value is measured using the Black-Scholes model, taking into account any preferential terms offered to staff such as discounts and free shares. Any Group contribution to the scheme is charged to the income statement in the period in which it arises, at the fair value determined by the model. A corresponding amount is recognised as a capital contribution from Electricité de France S.A within equity.

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, some critical accounting judgements have been applied by management and some balances are based on estimates.

Critical accounting judgements in applying the Group's accounting policies

Revenue Recognition

Turnover includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the year end. This is calculated by reference to data received through the settlement systems but not billed together with estimates of consumption not yet processed through settlements.

Revenue is valued at average pence per unit, and any unbilled revenue is treated as an unbilled debtor. Management adjust this figure based on a judgement of the likelihood of collecting the outstanding debt based on historic data.

Provisions

Provisions for liabilities and charges are made where a liability exists but is uncertain in respect of amount or when the liability will fall due. Provisions are made against bad and doubtful debt as well as obsolete stock. Provision against debtors is estimated based on applying a percentage provision rate to the aged debt book at the end of each period. The provision rates are based on the comparison of historical rates of collection compared to billing data. Any over or under statement of the provision is essentially a timing difference to the actual write-off level. Provision is made against stock taking account of the age of the asset, using predefined formula derived from actual experience.

NOTES TO THE FINANCIAL STATEMENTS continued

3. Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty

Decommissioning Provisions

The Group has provided for decommissioning its three power stations. These provisions are based on the experience of other companies within the EDF group, adjusted for specific issues associated with each power station and discounted. Expected future costs of decommissioning are monitored to ensure that the provision remains at an adequate level. Further information about decommissioning provisions can be found in note 30.

Pensions and other post-employment benefits

The pension deficit is calculated by independent qualified actuaries, based on actual payroll data and certain actuarial assumptions. These actuarial assumptions are made to model potential future costs and benefits and include; life expectancy, rates of returns on plan assets, inflation and expected retirement age. These assumptions are reviewed on an annual basis and may change based on current market data. Changes in assumptions could lead to additional actuarial gains and losses being recognised. Further information is available about pensions in note 40.

Goodwill impairment

The impairment review for goodwill is based on the Group's medium term plans and assumptions concerning discount rates. Further detail on the assumptions used in the calculation can be found in note 15.

Fair value of energy derivatives

Energy derivatives are carried at fair value in the balance sheet after the adoption of IAS 39 on 1 January 2005. The valuations of these derivatives are estimates based, where available, on published forward price curves. Where published information is not available, valuation techniques have been used to determine fair values. Further details about the assumptions used in these valuation techniques can be found in note 29.

4. Segment information

The Group's primary reporting format is business segments and its secondary format is geographical segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Networks Branch: Transfer of electricity from the points where it is received in bulk, across the distribution systems and its delivery to consumers.

Customer and Energy Branch: includes the generation, purchase and supply of electricity to customers and purchase and supply of gas to customers.

Development Branch: Operation, maintenance and expansion of private electrical distribution systems.

Other: This primarily includes the provision of services to the Group, e.g. facilities, property and insurance. All assets held for sale are included within Other.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS continued

4. Segment information continued

The Group's geographical segment is determined by the location of the Group's assets and operations. All revenue, expense and transactions take place in the United Kingdom. Also all assets and liabilities are entirely in the United Kingdom and hence no separate tables have been disclosed for the geographical segment.

Group Segmental Analysis 31 December 2005:

Year ended 31 December 2005	Networks	Customer and Energy	Development	Other	Inter-branch elimination	Total Operations
	£m	£m	£m	£m	£m	£m
Revenue						
Sales to external customers	612.6	3,660.1	280.1	21.8	-	4,574.6
Inter-segment sales	268.2	14.7	12.7	-	(295.6)	-
Segment revenue	880.8	3,674.8	292.8	21.8	(295.6)	4,574.6
Result						
Operating profit	415.0	186.3	32.1	21.3	-	654.7
Investment revenue					-	24.3
Finance costs					-	(248.5)
Profit before taxation						430.5
Taxation						(156.6)
Share of profit of associates	-	16.6	2.8	(1.5)	-	17.9
Profit for the year from operations						291.8
Assets and liabilities						
Segment assets	5,268.0	2,988.1	402.7	1,795.5	-	10,454.3
Investment in associates	-	23.3	42.7	(16.7)	-	49.3
Total assets	5,268.0	3,011.4	445.4	1,778.8	-	10,503.6
Segment liabilities	4,323.7	2,560.8	275.8	1,140.7	-	8,301.0
Total liabilities	4,323.7	2,560.8	275.8	1,140.7	-	8,301.0
Other segment information						
Capital expenditure:						
Tangible and intangible fixed assets	500.6	94.5	47.0	95.1	-	737.2
Depreciation	154.6	77.8	10.2	37.3	-	279.9
Amortisation	0.2	16.1	0.5	1.9	-	18.7

NOTES TO THE FINANCIAL STATEMENTS continued

4. Segment information continued

Group Segmental Analysis 31 December 2004:

Year ended 31 December 2004	Networks	Customer and Energy	Development	Other	Inter-branch elimination	Total Operations
	£m	£m	£m	£m	£m	£m
Revenue						
Sales to external customers	611.3	3,132.3	225.0	6.8	-	3,975.4
Inter-segment sales	270.5	16.0	13.1	-	(299.6)	-
Segment revenue	881.8	3,148.3	238.1	6.8	(299.6)	3,975.4
Result						
Operating profit	392.2	185.9	41.6	94.8	-	714.5
Investment revenue	-	-	-	-	-	29.8
Finance costs	-	-	-	-	-	(241.1)
Profit before taxation						503.2
Taxation	-	-	-	-	-	(117.9)
Share of profit of associates	-	3.8	11.4	-	-	15.2
Profit for the year from operations						400.5
Assets and liabilities						
Segment assets	4,956.8	2,892.3	423.5	843.2	-	9,115.8
Investment in associates	-	7.1	28.5	2.6	-	38.2
Total assets	4,956.8	2,899.4	452.0	845.8	-	9,154.0
Segment liabilities	4,118.8	2,370.1	304.1	624.4	-	7,417.4
Total liabilities	4,118.8	2,370.1	304.1	624.4	-	7,417.4
Other segment information						
Capital expenditure:						
Tangible and intangible fixed assets	451.0	81.3	44.7	23.8	-	600.8
Depreciation	116.2	77.9	16.0	47.8	-	257.9
Amortisation	-	18.1	-	1.6	-	19.7

The Directors consider that all inter-segmental transfers have been priced at market rate.

NOTES TO THE FINANCIAL STATEMENTS continued

5. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 2005 £m	Year ended 2004 £m
Sales of goods and services	4,493.5	3,878.5
Revenue from long term contracts	66.2	66.5
Property rental income	5.1	4.5
Miscellaneous revenue	9.8	25.9
	4,574.6	3,975.4
Other operating income	37.1	84.3
Investment revenue	24.3	29.8
Total revenue	4,636.0	4,089.5

Other operating income relates to the profit on disposal of non-current assets.

6. Profit for the year

	2005 £m	2004 £m
Profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange gains	(1.0)	(2.9)
Research and development costs	3.8	3.1
Depreciation of property, plant and equipment (note 17)	279.9	257.9
Amortisation of intangible assets (note 16)	18.7	19.7
Staff costs (see note 8)	382.3	347.6
Auditors' remuneration for audit services	0.8	0.9
Cost of inventories recognised as expense	303.2	311.3
Gains arising on fair valuation of financial instruments (note 29)	(35.4)	-
Operating lease rentals	36.1	29.9

Amounts payable to Deloitte & Touche LLP and their associates by the Company and its subsidiary undertakings in respect of non-audit services were £0.5m (2004 - £0.5m). In 2005, this included IFRS first time adoption advice £0.2m, tax advice £0.1m and other services of £0.2m. In 2004, non-audit services included IFRS first time adoption £0.3m, benchmarking of £0.1m and various other services totalling £0.1m. The Company bore the Group audit fee on behalf of the Group in both years.

The amortisation of intangible assets is included within depreciation and amortisation in the income statement.

7. Directors' emoluments

	2005 £m	2004 £m
Emoluments	1.0	0.8
	2005 Number	2004 Number
Members of defined benefit pension scheme	1	1
	2005 £m	2004 £m
Emoluments payable to the highest paid director were as follows:		
Aggregate emoluments	0.6	0.5

NOTES TO THE FINANCIAL STATEMENTS continued

8. Staff costs

Staff costs arising in the year, including director's emoluments were as follows:

	2005	2004
GROUP	£m	£m
Wages and salaries	337.2	317.2
Social security costs	29.0	26.0
Other pension costs	59.2	47.7
Share scheme (see note 9)	14.9	-
Less capitalised costs	(58.0)	(43.3)
	382.3	347.6

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

	2005	2004
	Number	Number
Networks Branch	3,592	3,710
Customers and Energy Branches	5,318	5,174
Development Branch	1,305	1,196
Others	696	350
	10,911	10,430

	2005	2004
COMPANY	£m	£m
Wages and salaries	32.6	34.8
Social security costs	4.6	4.4
Other pension costs	12.6	19.2
Share scheme (see note 9)	2.9	-
	52.7	58.4

The monthly average number of employees in the Company during the year was 1,256 (2004: 4,520).

	2005	2004
	Number	Number
Energy trading	205	179
Senior management	304	237
Support services	747	4,104
	1,256	4,520

The fall in employees was due to the transfer of employees to London Energy plc (another group company) during the year.

NOTES TO THE FINANCIAL STATEMENTS continued

9. Employee share offering

As part of EDF's initial public offering ("IPO") in 2005, employees of the Group on 14 November 2005 were offered shares under several preferential schemes. The details and benefits of these offers are summarised below:

Scheme name	Independent of Group savings plan		Within Group savings plan	
	Energie express	Energie express+	Energie maxi	Energie multi
Discount	-	20%	20%	20%
Company contribution up to £2,380:				
- 100%	-	-	Up to £483	-
- 40%	-	-	up to £2415	-
- 25%	-	-	up to £6914	-
Free shares – 1 for 2	-	up to £483	up to £483	-
1 for 3	up to £868	-	-	-
1 for 4	-	between £483 and £868	between £483 and £868	-
Credit holding period	-	2 years	5 years	5 years
Non-transferability period	-	2 years	2 years	2 years
Attribution of free shares	1 year	3 years	3 years	-
Sales price (£)	22.08	17.66	17.66	17.66

As part of the partial listing of EDF during 2005, many employees of EDF Energy plc were offered shares at preferential rates. Each benefit granted to employees in this sale was measured and recorded at grant date in accordance with IFRS 2 Share Options ("IFRS 2"):

- The 20% reduction in the share price to employees was calculated on the basis of the share price for private investors, adjusted by application of a discount rate reflecting the effective cost of the unavailability of the shares purchased by current employees, as shares were unavailable for sale for a period of 2 to 5 years depending on the scheme concerned.
- For free shares, in addition to the cost of unavailability due to these shares being awarded after 1 to 3 years depending on the scheme concerned, the valuation also took into consideration the lack of dividends on these shares during the unavailability period.
- Deferred payment terms were offered depending on the subscriber's options. For instance, depending on the scheme chosen, subscriptions could be paid up immediately upon award of the shares, or in three instalments over 2 years, or spread over 24 or 36 months. The discount effect was deducted in valuing this employee benefit for the Company.

Across the Group, the employees purchased 1,897,547 shares through this offer. 389,568 shares were purchased by employees of the Company. The Group expense resulting from the price discount, the award of free shares and deferred payment terms amounts to £10.6 million and was entirely recorded in 2005, in accordance with IFRS 2 (see note 2) as these benefits vest immediately. The corresponding Company expense was £2.1 million. These amounts were funded by EDF and therefore are reflected as a capital contribution in the Group accounts. See note 36.

The additional contribution made by EDF Energy to the benefit of employees across the Group in connection with this share offering amounted to £4.3 million (£0.8 million of this related to employees of the Company).

NOTES TO THE FINANCIAL STATEMENTS continued

10. Investment revenue

	2005	2004
	£m	£m
Interest on bank deposits	11.3	10.9
Income from investments	0.6	0.9
Dividends from equity accounted investments	0.4	-
Pension scheme interest	12.0	18.0
Total investment revenue	24.3	29.8

11. Finance costs

	2005	2004
	£m	£m
Interest on bank loans and overdrafts	33.2	15.9
Interest on bonds	152.7	157.0
Interest on other loans	32.8	32.4
Finance charges payable under finance leases	23.2	27.4
Unwinding of discount on provisions	6.6	8.4
Total borrowing costs	248.5	241.1

12. Tax on profit on ordinary activities

Analysis of tax charge in the year

Current tax

	2005	2004
	£m	£m
UK corporation tax	78.7	75.6
Adjustments in respect of current income tax of previous years	4.6	(32.3)
Total current tax expense	83.3	43.3

Deferred tax (note 31)

	2005	2004
	£m	£m
Current year	57.0	77.7
Adjustment in respect of previous years	16.3	(3.1)
Total deferred tax charge	73.3	74.6
Income tax expense reported in income statement	156.6	117.9

NOTES TO THE FINANCIAL STATEMENTS continued

12. Tax on profit on ordinary activities continued

(b) The charge for the year can be reconciled to the profit per the income statement as follows:

	2005 £m	2004 £m
Profit before tax	430.5	503.2
Tax at the UK Corporation tax rate of 30% (2004: 30%)	129.2	151.0
Effect of:		
Non-deductible expenses and non-taxable income	6.5	2.3
Adjustment to prior year corporation tax charge	4.6	(32.3)
Adjustment to prior year deferred tax charge	16.3	(3.1)
Income tax expense reported in income statement	156.6	117.9

In the current year a deferred tax charge of £116.9m (2004: £nil) has been incurred which relates to gains arising on derivative instruments which have been included as cash-flow hedges under IAS39. See note 38.

13. Dividends

	2005 £m	2004 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividend	-	15.7
Final dividend	96.0	70.0
	96.0	85.7

The final dividend per share in 2005 for the Group and the Company was 4.32p per share (2004: 3.15p). The interim dividend per share was £nil in 2005 (2004: 0.71p.)

14. Goodwill

GROUP	£m
Cost	
At 1 January 2004 and 1 January 2005	1,398.8
At 31 December 2005	1,398.8
Amortisation	
At 1 January 2004 and 1 January 2005	141.5
At 31 December 2005	141.5
Carrying Amount	
At 31 December 2005	1,257.3
At 31 December 2004	1,257.3

NOTES TO THE FINANCIAL STATEMENTS continued

15. Impairment testing of goodwill

	2005 £m	2004 £m
Allocation of goodwill to Branches		
Customer Branch	932.5	932.5
Energy Branch	189.4	189.4
Networks Branch	57.4	57.4
Development Branch	78.0	78.0
<hr/>		
Total goodwill	1,257.3	1,257.3
<hr/>		

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units ("CGU") and these are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

During the year, impairment testing has been carried out at a CGU level, based on value in use, using the Group's three year medium term plans for each CGU. An estimated growth rate of 2.25% is used, which is based on current information and industry norms. These medium term plans are based on pre-tax discounted cash flows, using discount rates of between 9.4%-10.7%. Other assumptions applied to each CGU are detailed below. The application of these assumptions did not give rise to an impairment charge in 2005 (2004: £nil).

Customers and Energy

The impairment review was based on three year medium term plan and included assumptions about customer growth numbers, discount rates, forward electricity and power prices.

Networks

The impairment review was based on three year medium term plan and included assumptions about the level of premium to be achieved on regulated asset value (RAV), the outcome of the Distribution Price Control Review and the discount rate to be applied.

Development

The impairment review was based on three year medium term plan and included assumptions about contract gains and the discount rate to be applied.

NOTES TO THE FINANCIAL STATEMENTS continued

16. Intangible assets

GROUP	IT Software £m	EU Emissions Trading Certificates £m	Total £m
Cost			
Cost at 1 January 2004	149.1	-	149.1
Additions	23.0	-	23.0
Disposal	(3.0)	-	(3.0)
At 1 January 2005	169.1	-	169.1
Additions	25.4	63.2	88.6
At 31 December 2005	194.5	63.2	257.7
Amortisation			
At 1 January 2004	(47.4)	-	(47.4)
Charge for the year	(19.7)	-	(19.7)
Transfer	0.8	-	0.8
Disposal	1.8	-	1.8
At 1 January 2005	(64.5)	-	(64.5)
Charge for the year	(18.7)	-	(18.7)
At 31 December 2005	(83.2)	-	(83.2)
Carrying amount			
At 31 December 2005	111.3	63.2	174.5
At 31 December 2004	104.6	-	104.6

NOTES TO THE FINANCIAL STATEMENTS continued

16. Intangible assets continued

COMPANY	IT Software £m	EU Emissions Trading Certificates £m	Total £m
Cost			
Cost at 1 January 2004	126.1	-	126.1
Additions	9.5	-	9.5
Disposal	(0.3)	-	(0.3)
At 1 January 2005	135.3	-	135.3
Additions	6.7	63.2	69.9
At 31 December 2005	142.0	63.2	205.2
Amortisation			
Cost at 1 January 2004	(42.0)	-	(42.0)
Charge for the year	(16.0)	-	(16.0)
At 1 January 2005	(58.0)	-	(58.0)
Charge for the year	(18.2)	-	(18.2)
At 31 December 2005	(76.2)	-	(76.2)
Carrying amount			
At 31 December 2005	65.8	63.2	129.0
At 31 December 2004	77.3	-	77.3

NOTES TO THE FINANCIAL STATEMENTS continued

17. Property, plant and equipment

GROUP	Land and Buildings	Network Assets	Generation Assets	Motor Vehicles	Equipment and fittings	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 January 2004	95.3	5,496.2	1,205.1	35.0	322.5	126.8	7,280.9
Additions	-	445.3	50.3	7.2	33.7	41.3	577.8
Transfer	(19.4)	19.4	-	-	-	-	-
Transfer to Assets held for sale	(11.7)	(0.1)	-	-	-	-	(11.8)
Disposals	(3.5)	(11.6)	-	(4.2)	(32.6)	-	(51.9)
At 1 January 2005	60.7	5,949.2	1,255.4	38.0	323.6	168.1	7,795.0
Additions	30.1	475.2	-	7.9	26.7	108.7	648.6
Transfer	343.7	(317.1)	97.9	(12.4)	9.5	(121.6)	-
Transfer to Assets held for sale	(5.7)	(0.8)	-	-	-	-	(6.5)
Disposals	(3.5)	(12.9)	-	(3.4)	(7.5)	-	(27.3)
At 31 December 2005	425.3	6,093.6	1,353.3	30.1	352.3	155.2	8,409.8
Accumulated depreciation							
At 1 January 2004	(28.0)	(829.1)	(156.3)	(15.7)	(183.7)	-	(1,212.8)
Charge for the year	(3.8)	(142.8)	(68.5)	(5.0)	(37.8)	-	(257.9)
Transfer	19.4	(19.4)	-	-	-	-	-
Transfer to Assets held for sale	1.5	-	-	-	-	-	1.5
Disposals	1.2	9.5	-	3.7	32.5	-	46.9
At 1 January 2005	(9.7)	(981.8)	(224.8)	(17.0)	(189.0)	-	(1,422.3)
Charge for the year	(4.7)	(166.0)	(74.5)	(5.6)	(29.1)	-	(279.9)
Transfer	(108.8)	112.0	-	13.9	(17.2)	-	(0.1)
Transfer to Assets held for sale	2.5	0.7	-	-	-	-	3.2
Disposals	2.3	12.2	-	3.3	5.5	-	23.3
At 31 December 2005	(118.4)	(1,022.9)	(299.3)	(5.4)	(229.8)	-	(1,675.8)
Carrying amount							
At 31 December 2005	306.9	5,070.7	1,054.0	24.7	122.5	155.2	6,734.0
At 31 December 2004	51.0	4,967.4	1,030.6	21.0	134.6	168.1	6,372.7

The carrying amount of the Group's generation assets includes an amount of £296.9m (2004: £316.6m) in respect of assets held under finance leases.

The depreciation charge in 2005 includes £14.4m of accelerated depreciation relating to assets owned by 51° Limited (2004: no accelerated depreciation).

NOTES TO THE FINANCIAL STATEMENTS continued

17. Property, plant and equipment continued

COMPANY	Land and Buildings £m	Equipment and fittings £m	Total £m
Cost			
At 1 January 2004	28.0	65.2	93.2
Additions	-	3.9	3.9
Disposals	(0.5)	(31.7)	(32.2)
At 1 January 2005	27.5	37.4	64.9
Additions	7.0	10.7	17.7
Transfer to Assets held for sale	(5.5)	(0.9)	(6.4)
Disposals	(2.2)	(3.5)	(5.7)
At 31 December 2005	26.8	43.7	70.5
	Land and Buildings £m	Equipment and fittings £m	Total £m
Accumulated depreciation			
At 1 January 2004	(6.7)	(41.3)	(48.0)
Charge for the year	(1.1)	(8.2)	(9.3)
Transfer	0.7	(0.7)	-
Disposals	-	31.3	31.3
At 1 January 2005	(7.1)	(18.9)	(26.0)
Charge for the year	(1.4)	(6.6)	(8.0)
Transfer	3.1	(3.1)	-
Transfer to Assets held for sale	2.1	0.7	2.8
Disposals	1.5	1.8	3.3
At 31 December 2005	(1.8)	(26.1)	(27.9)
Carrying amount			
At 31 December 2005	25.0	17.6	42.6
At 31 December 2004	20.4	18.7	39.1

NOTES TO THE FINANCIAL STATEMENTS continued

18. Non-current assets classified as held for sale

Non-current assets held for sale relate to properties and their associated fittings which are planned to be sold and are being actively marketed. These properties are considered surplus to requirements and are expected to be sold within the next year.

GROUP	Land and Buildings £m	Equipment and fittings £m	Total £m
Cost			
At 1 January 2004	-	-	-
Transfers from property, plant and equipment	11.7	0.1	11.8
At 1 January 2005	11.7	0.1	11.8
Transfers from property, plant and equipment	5.7	0.8	6.5
At 31 December 2005	17.4	0.9	18.3
	Land and Buildings £m	Equipment and fittings £m	Total £m
Accumulated depreciation			
At 1 January 2004	-	-	-
Transfers from property, plant and equipment	(1.5)	-	(1.5)
At 1 January 2005	(1.5)	-	(1.5)
Transfers from property, plant and equipment	(2.5)	(0.7)	(3.2)
At 31 December 2005	(4.0)	(0.7)	(4.7)
Carrying amount			
At 31 December 2005	13.4	0.2	13.6
At 31 December 2004	10.2	0.1	10.3

NOTES TO THE FINANCIAL STATEMENTS continued

18. Non-current assets classified as held for sale continued

COMPANY	Land and Buildings £m	Equipment and fittings £m	Total £m
Cost			
At 1 January 2005	-	-	-
Transfers from property, plant and equipment	5.5	0.9	6.4
At 31 December 2005	5.5	0.9	6.4
	Land and Buildings £m	Equipment and fittings £m	Total £m
Accumulated depreciation			
At 1 January 2005	-	-	-
Transfers from property, plant and equipment	(2.1)	(0.7)	(2.8)
At 31 December 2005	(2.1)	(0.7)	(2.8)
Carrying amount			
At 31 December 2005	3.4	0.2	3.6
At 31 December 2004	-	-	-

NOTES TO THE FINANCIAL STATEMENTS continued

19. Investments in subsidiary undertakings

COMPANY	Shares £m	Loans £m	Total £m
At 31 December 2004	1,126.9	1,199.0	2,325.9
Additions	3.3	44.5	47.8
Disposals	(60.0)	(15.6)	(75.6)
At 31 December 2005	1,070.2	1,227.9	2,298.1

During the year, EDF Energy plc sold its investment in London Energy plc to CSW Investments at book value. Therefore at 31 December 2005, London Energy plc remained part of the Group but was owned indirectly by the Company.

Details on movements in loans are as follows:

Movements	Balance at 31 December 2004	Increase in loans	Decrease in loans	Balance at 31 December 2005
	£m	£m	£m	£m
Loans to EDF Energy Networks (SPN) plc	21.8	38.7	-	60.5
Loans to EDF Energy (Services) Limited	40.7	-	(9.0)	31.7
Loans to EDF Energy Transport (Services) Limited	2.7	-	(0.8)	1.9
Loans to EDF Energy Enterprises Limited	45.8	-	(5.8)	40.0
Loans to EDF Energy (Energy Branch) plc	184.0	5.8	-	189.8
Loans to West Burton Property Limited	419.0	-	-	419.0
Loans to London Energy plc	105.7	-	-	105.7
Loans to EDF Energy Customer Field Services (Metering) Limited	0.3	-	-	0.3
Loans to CSW Investments	379.0	-	-	379.0
	1,199.0	44.5	(15.6)	1,227.9

Accounts of all subsidiary companies are consolidated. The principal undertakings at 31 December 2005, which are incorporated in Great Britain and are registered and operate in England and Wales (unless otherwise stated), are as follows:

Name of subsidiary	Proportion of ownership interest %	Proportion of voting power held %	Principal Activity
51° Limited*	100%	100%	Telecommunication networks
CSW Investments*	100%	100%	Holding company
Deltabrand Limited	100%	100%	Holding company
EDF Energy Customer Field Services (Data) Limited *	100%	100%	Meter reading and related services
EDF Energy Customer Field Services (Metering) Limited	100%	100%	Meter operations and related services
EDF Energy (Asset Management) Limited *	100%	100%	Investment company

NOTES TO THE FINANCIAL STATEMENTS continued

19. Investments in subsidiary undertakings continued

EDF Energy (Contract Services) Limited *	100%	100%	Maintenance of distribution networks
EDF Energy (Cottam Power) Limited *	100%	100%	Provision and supply of electricity generation
EDF Energy (Energy Branch) plc	100%	100%	Investment in electricity generation
EDF Energy (Enterprises) Limited	100%	100%	Investments in commercial projects
EDF Energy (London Heat & Power) Limited *	100%	100%	Generation and supply of electricity and heat
EDF Energy (Metro Holdings) Limited *	100%	100%	Investment company
EDF Energy (Northern Offshore Wind) Limited *	100%	100%	Development of generation and supply
EDF Energy (Powerlink Holdings) Limited *	100%	100%	Investment company
EDF Energy (Projects) Limited *	100%	100%	Investment company
EDF Energy (Services) Limited	100%	100%	Electricity distribution project
EDF Energy (South East Generation) Limited *	100%	100%	Holding company
EDF Energy (South East) plc *	100%	100%	Holding company
EDF Energy (South Eastern Services) Limited *	100%	100%	Property management
EDF Energy (Sutton Bridge Holdings) Limited *	100%	100%	Investment in power generation company
EDF Energy (Sutton Bridge Power) *	100%	100%	Provision and supply of electricity generation
EDF Energy (Transport Services) Limited	100%	100%	Provision and supply of transport services
EDF Energy (West Burton Power) Limited*	100%	100%	Power generation
EDF Energy Networks (EPN) plc	100%	100%	Management of distribution network
EDF Energy Networks (LPN) plc	100%	100%	Management of distribution network
EDF Energy Networks (SPN) plc *	100%	100%	Management of distribution network
EDF Energy Networks Limited	100%	100%	Maintenance of distribution networks
Green Electron Limited	100%	100%	Investment company
High Hedley Hope Wind Limited*	100%	100%	Renewable power generation
Islington Lighting Limited*	100%	100%	Electrical contracting
Islington Lighting (Finance) Limited*	100%	100%	Investment company
Kirkheaton Wind Limited*	75%	75%	Renewable power generation
Knight Debt Recovery Services Limited	100%	100%	Debt collection and tracing
EDF Energy Group ESPS Trustees Limited (formerly London Electricity Group Trustee Limited)	100%	100%	Trustees of employee benefits
London Electricity Projects Limited	100%	100%	Project management
London Electricity Share Scheme Trustees Limited	100%	100%	Trustees of employee share and benefits funds
EDF Energy Customers plc (formerly London Energy plc) *	100%	100%	Electricity retailing
London Power Insurance Limited (Isle of Man)	100%	100%	Insurance
London Power SB Limited*	100%	100%	Investment in power generation company
Longfield Insurance Company Limited* (Guernsey)	100%	100%	Insurance
Norfolk Offshore Wind Limited *	100%	100%	Development of generation and supply
Seeb Limited*	100%	100%	Investment company
EDF Energy Contracting Limited *	100%	100%	Electrical contracting

NOTES TO THE FINANCIAL STATEMENTS continued

19. Investments in subsidiary undertakings continued

SEEBOARD Employment Services Limited*	100%	100%	Management company
SEEBOARD Energy Gas Limited*	100%	100%	Gas supply
SEEBOARD Energy Limited*	100%	100%	Energy supply
EDF Energy (Development Branch) plc (formerly Seeboard Group plc)*	100%	100%	Holding company
SEEBOARD Highway Lighting No.2 Limited*	100%	100%	Holding company
SEEBOARD Highway Services Limited*	100%	100%	Holding company
SEEBOARD Insurance Company Limited* (Isle of Man)	100%	100%	Insurance
SEEBOARD International Limited*	100%	100%	Investment Company
SEEBOARD Metering Limited*	100%	100%	Investment Company
SEEBOARD Natural Gas*	100%	100%	Investment Company
EDF Energy Powerlink Limited (formerly SEEBOARD Powerlink Limited)*	80%	80%	Asset management
SEEBOARD Trading Limited *	100%	100%	Investment company
Southern Gas Limited*	100%	100%	Investment company
Sutton Bridge Financing Limited* (Cayman Islands)	100%	100%	Financial activities
Sutton Bridge Investors *	100%	100%	Investment in power generation company
The Barkantine Heat & Power Company Limited*	100%	100%	Generation and supply of electricity and heat
EDF Energy 1 Limited	100%	100%	Marketing and supply of electricity and gas
EDF Energy Homephone Limited	100%	100%	Telecoms retailing
West Burton Property Limited*	100%	100%	Power generation
Deletpicnic Limited	100%	100%	Holding Company

* Held indirectly

NOTES TO THE FINANCIAL STATEMENTS continued

20. Investments in associates

	2005 £m	2004 £m
Cost of investment in associates	29.2	14.5
Share of post acquisition profit, net of dividend	20.1	23.7
Carrying value of associates	49.3	38.2

	2005 £m	2004 £m
Aggregated amounts relating to associates		
Total assets	492.4	449.6
Total liabilities	(443.1)	(411.4)
Revenues	108.4	96.8
Profit	17.9	15.2

Details of the Group's associates at 31 December 2005 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment
Metronet SSL Limited *	Great Britain	20.0%	20.0%	Equity
Metronet BCV Limited*	Great Britain	20.0%	20.0%	Equity
Barking Power Limited *	Great Britain	13.475%	25%	Equity
Thames Valley Power Limited *	Great Britain	50%	50%	Equity

* Held indirectly

At 31 December 2005, the Group's share of any associates' unrecognised gains or losses was £nil (2004: £nil.) Barking Power Limited is unable to pay dividends to its shareholders until all its bank financing has been repaid as a result of a default under the terms of financing when TXU, its major off-taker, went into administration. During the year, the Group made further equity investments of £11.2 m in the Metronet projects.

NOTES TO THE FINANCIAL STATEMENTS continued

21. Interests in joint ventures

The Group has the following significant interests in joint ventures:

Name of joint venture	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment
Power Asset Development Company Limited	Great Britain	50%	50%	Proportionate Consolidation
Trans4m Limited	Great Britain	25%	25%	Proportionate Consolidation
SABCO	Unincorporated	50%	50%	Proportionate Consolidation
SOLVe	Unincorporated	50%	50%	Proportionate Consolidation

The share of the assets, liabilities, revenue and expenses of the joint ventures which are included in the consolidated financial statements, are as follows:

	2005 £m	2004 £m
Current assets	41.2	29.1
Non-current assets	75.8	75.7
	117.0	104.8
Current liabilities	(43.4)	(30.0)
Non-current liabilities	(68.5)	(69.4)
	5.1	5.4
Revenue	110.4	79.5
Cost of sales	(97.0)	(69.1)
Administrative expenses	(9.8)	(3.7)
Finance costs	0.3	(2.6)
Profit before income tax	3.9	4.1
Income tax expense	(0.7)	(2.0)
Net profit	3.2	2.1

The Group's share in Trans4m Limited has been accounted for as a joint venture because there is joint control, evidenced by the requirement for unanimous consent of all venturers for the strategic and operating decisions of the company.

NOTES TO THE FINANCIAL STATEMENTS continued

22. Long term receivables

	GROUP		COMPANY	
	2005	2004	2005	2004
	£m	£m	£m	£m
Long term receivables	15.6	12.1	3.8	3.8
	15.6	12.1	3.8	3.8

Long term receivables represent investments in other companies where the Group does not exercise significant influence or control. These assets are carried at book value which is considered to be the same as fair value.

23. Inventories

	GROUP		COMPANY	
	2005	2004	2005	2004
	£m	£m	£m	£m
Raw materials and consumables	126.8	95.7	104.5	77.9
Work in progress	21.5	27.8	-	-
	148.3	123.5	104.5	77.9

24. Trade and other receivables

	GROUP		COMPANY	
	2005	2004	2005	2004
	£m	£m	£m	£m
Trade receivables	458.7	349.9	24.2	18.4
Amounts due under long term contracts (note 25)	8.4	5.0	-	-
Unbilled revenue	612.4	441.2	-	-
Amounts owed by parent company	-	6.8	130.2	9.5
Amounts owed by other group companies	211.3	173.9	439.2	451.5
Corporation tax (group payments)	-	-	194.5	85.4
Other debtors	80.2	68.8	18.1	56.0
	1,371.0	1,045.6	806.2	620.8

Trade receivables are non-interest bearing and are generally on 60 day terms. For further information relating to related party receivables, refer to note 41. Included in the value of other debtors for the Group, is £11.7m relating to value added taxation "VAT" (2004: £11.0m liability included within trade and other payables). The VAT receivable and payable is remitted to the appropriate tax body on a quarterly basis. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS continued

25. Long term contracts

	GROUP	
	2005 £m	2004 £m
Contracts in progress at balance sheet date:		
Amounts due from contract customers included in trade and other receivables	8.4	5.0
Amounts due to contract customers included in trade and other payables	(55.0)	(54.8)
	(46.6)	(49.8)
Contract costs incurred plus recognised profits less recognised losses to date	372.6	306.4
Less: progress billings	(419.2)	(356.2)
	(46.6)	(49.8)

There are two main long term contracts in progress within the Group. The Powerlink project whereby Power Asset Development Company Limited ("PADCO") constructs power assets and leases them to EDF Energy Powerlink Limited for use in the operation of the London Underground high voltage power system under a 30 year contract. The other main contract is for provision of electrical infrastructure in the Channel Tunnel Rail Link project.

There are no such long term contracts within the Company.

NOTES TO THE FINANCIAL STATEMENTS continued

26. Cash and cash equivalents

	GROUP		COMPANY	
	2005	2004	2005	2004
	£m	£m	£m	£m
Cash at bank and in hand	128.8	83.2	-	-
Short-term deposits	37.3	106.5	8.6	-
	166.1	189.7	8.6	-

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £166.1m (2004: £189.5m).

At 31 December 2005, the Group had available £610.0m (2004: £500.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

For the purpose of the cash flow statement the cash and cash equivalents are:

	GROUP		COMPANY	
	2005	2004	2005	2004
	£m	£m	£m	£m
Cash at bank and in hand	128.8	83.2	-	-
Bank overdrafts (note 28)	-	(0.2)	(24.3)	(330.8)
	128.8	83.0	(24.3)	(330.8)

The Group cash balance includes £38.7m (2004: £34.7m) of cash which must be maintained as a minimum cash balance in some entities, in accordance with contractual obligations with financial institutions. There were no restrictions in place over the Company's cash balances in 2005 (2004: £nil) and amounts owed, shown above, are repayable on demand.

27. Trade and other payables

	GROUP		COMPANY	
	2005	2004	2005	2004
	£m	£m	£m	£m
Trade creditors	705.4	706.9	526.6	268.9
Amounts due under long term contracts (note 25)	55.0	54.8	-	-
Other payables	538.9	325.1	3.2	25.3
Deferred income	1,143.1	1,036.6	-	-
Interest payable	82.9	79.3	2.9	3.7
Amount owed to parent company	2.1	9.1	14.4	9.1
Amount owed to other group company	12.3	3.4	399.9	433.7
	2,539.7	2,215.2	947.0	740.7

For further information regarding related party payables refer note 41.

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of 60 days, with the exception of deferred income. Deferred income includes the consumer contributions towards distribution network assets which are credited to the income statement over the lives of the distribution network assets to which they relate. Interest payable is normally settled when it falls due.

NOTES TO THE FINANCIAL STATEMENTS continued

28. Interest bearing loans and borrowings

	GROUP 2005 £m	2004 £m	COMPANY 2005 £m	2004 £m
Current				
Other loans:				
Short term borrowing	824.4	359.2	646.5	359.4
Bank overdraft	-	0.2	24.3	330.8
£100m 8.625% Eurobonds due October 2005	-	99.9	-	-
£100m 8.5% Eurobonds due October 2005	-	102.2	-	-
\$200m 8.75% Bonds due August 2006	118.0	-	-	-
£100m 8.875% Bonds due September 2006	102.0	-	-	-
Sutton Bridge Bonds due June 2022 (i)	22.3	16.7	-	-
PADCO loan (ii)	61.6	-	-	-
Others	5.1	5.9	-	-
Securitisation (iii)	340.0	320.0	-	-
	1,473.4	904.1	670.8	690.2
Non-current				
Other loans:				
\$200m 8.75% Bonds due August 2006	-	133.1	-	-
£100m 8.875% Bonds due September 2006	-	104.7	-	-
€500m 4.375% Eurobond due December 2010	343.6	347.0	343.6	347.0
£200m 8.75% Eurobond due March 2012	225.0	229.1	-	-
Sutton Bridge Bonds due June 2022 (i)	229.4	249.8	-	-
£50m Index Linked Bond due June 2023	53.6	51.9	-	-
£300m 5.75% Bonds due 2024	348.8	348.7	-	-
£200m 8.5% Eurobond due March 2025	259.0	262.0	-	-
£300m 5.5% Eurobond due June 2026	296.7	296.5	-	-
£300/£200m 6.125% Bonds due June 2027	305.9	306.1	-	-
£150m 3.125% Index Linked Bonds due June 2032	163.0	157.8	-	-
PADCO loan (ii)	-	63.6	-	-
	2,225.0	2,550.3	343.6	347.0
Total interest bearing loans and borrowings	3,698.4	3,454.4	1,014.4	1,037.2

- (i) The secured bonds which are guaranteed by Sutton Bridge Power Limited comprise two tranches of twenty five year amortising bonds issued by Sutton Bridge Financing Limited. The first tranche comprises a remaining principal of £150m at a fixed interest rate of 8.625 %. The second tranche comprises a remaining principal amount of US\$120.0m at a fixed interest rate of 7.97%. The Group has entered into currency swap arrangements in order to convert the principal and interest payment on the bonds into sterling for periods up to maturity. The bonds are secured by means of fixed and floating charges over substantially all the net assets of Sutton Bridge and at all times rank pari passu and without preference among themselves. The Sutton Bridge bonds mature in June 2022 but principal repayments commenced from June 2002. Principal and interest payments are made semi-annually in arrears on the bonds on 30 June and 31 December.

NOTES TO THE FINANCIAL STATEMENTS continued

28. Interest bearing loans and other borrowings continued

- (ii) The loan facilities of £105m and £18m relate to PADCO construction contracts and were entered into on 13 August 1998, secured by fixed and floating charges over the assets of the Company. PADCO has fully drawn down these facilities and has commenced repayment by quarterly instalments. Interest charged on the loans has been fixed to maturity under swap transaction arrangements at an interest rate of 6.0% per annum for the £105m facility and at an average of 5.4% for the £18m facility.
- (iii) In September 2004, the Group entered into a commercial paper securitisation programme involving the sale of unbilled and billed trade debtors to a trust. Interest is charged on trade debtors securitised at a margin above LIBOR. The total facility available is £350 million, and amounts are repayable within 12 months of the securitisation of the associated debtor balance.

29. Derivative financial instruments

The Group adopted IAS 32 and IAS 39 with effect from 1 January 2005. The Group has entered into a variety of financial instruments to mitigate its exposure to commodity price, interest rate, foreign currency and credit rate risk. A financial instrument is defined in IAS 32 as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The adoption of IAS39 during 2005 led to an increase in profits of £35.4 million (pre tax) and a post taxation increase in net assets of £294.6 million. IAS39 led to an increase in Company profits of £35.4 million (pre tax) in the year to 31 December 2005, and an increase in net assets of £314.5 million. The profits arose from gains arising on fair values of financial instruments.

The Group's financial risk management objectives and policies are detailed below. The accounting treatment for financial instruments entered into as a result of these policies is detailed in note 2.

Commodity price risk

Commodity price risk arises from the forecast customer demand for gas, coal and electricity. Due to the vertically integrated nature of the Group the electricity procured from the generation business provides a natural hedge for the electricity demand from the retail business. Any residual exposure to movements in the price of electricity, gas or coal is mitigated by entering into contracts and hedging options on the forward markets. Risk of loss is monitored through establishment of approved counterparties and maximum counterparty limits and minimum credit ratings.

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings and deposits is managed principally through the use of fixed rate debt instruments and swap agreements. The Group's policy is to use derivatives to reduce exposure to short term interest rates and not for speculative purposes.

Foreign currency risk

The Group's present exposure to foreign currency risk is limited to the currency exposure on the service of interest and capital on US dollar and Euro denominated debt, and the purchase of energy sources for generation activity. The Group policy is to hedge/fix known currency exposures as they arise. The US Dollar and Euro currency swap agreements fix the Sterling equivalent that will be required to service the interest and capital repayments of foreign currency debt instruments. The Group enters into forward currency purchase contracts to fix the Sterling price for future foreign currency denominated transactions.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and amounts recoverable under long term contracts. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

NOTES TO THE FINANCIAL STATEMENTS continued

29. Derivative financial instruments continued

The Group has no significant concentration of credit risk, with exposure spread over a large number of external counterparties and customers. Due to the nature of the Group's trading with other EDF group companies in Europe, there are large trading balances with other group companies, however these are not considered to be a risk because of parent company financial support

Fair values of assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's derivative and other financial instruments. The categories of financial instruments have been determined with reference to the nature of the financial instruments and the risks to which they relate.

	GROUP		COMPANY	
	Book value 2005 £m	Fair value 2005 £m	Book value 2005 £m	Fair value 2005 £m
Floating rate borrowings	1,735.3	1,785.7	670.8	670.8
Fixed rate borrowings	2,312.3	2,573.4	343.6	359.1
Forward currency contracts	-	(1.3)	-	(1.3)
Commodity contracts	441.0	441.0	441.0	441.0
Financial instruments	(37.6)	(37.6)	4.9	4.9
Total	4,451.0	4,761.2	1,460.3	1,474.5

These amounts represent the net carrying and fair values of financial instruments. Financial instruments are disclosed gross as derivative and other financial instruments, obligations under finance leases and interest-bearing liabilities on the Group balance sheet.

The Group enters into contracts for the purchase of power, gas, coal and emissions allowances as well as interest rate and foreign exchange derivatives. As described in the accounting policy note, some of these contracts are designated as cash flow hedges. The fair value of these contracts are analysed by type and by designation below:

	Mark to Market		Cash Flow Hedge		Total £m
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	
GTMA contracts (power)	28.4	(0.1)	40.4	(74.7)	(6.0)
NBP forward purchase contracts (gas)	8.4	(10.4)	448.9	(2.6)	444.3
Coal ISDAs contracts	9.5	(9.8)	1.1	(12.6)	(11.8)
Gas Oil and Fuel Oil forward purchase contracts	23.0	(14.8)	-	-	8.2
EU Emissions trading scheme allowances forward purchase contracts ("EU ETS")	4.9	(3.0)	-	-	1.9
Option to extend certain power purchase contracts	4.4	-	-	-	4.4
Interest rate derivatives	-	-	-	(7.2)	(7.2)
Foreign exchange derivatives	-	-	4.9	(35.3)	(30.4)
Total	78.6	(38.1)	495.3	(132.4)	403.4

NOTES TO THE FINANCIAL STATEMENTS continued

29. Derivative financial instruments continued

The above table represents the fair value of all derivative financial instruments in the Group. All derivative financial instruments are recorded within the Company with the exception of the financial instruments giving rise to the interest rate derivative liability of £7.2m and a foreign exchange derivative liability of £35.3m. These financial instruments are held by a subsidiary undertaking. Overall the Company has net derivative assets of £445.9m.

The option to extend certain power purchase contracts represents an embedded derivative and is therefore held at fair value. The contracts themselves qualify for the "own use" exemption within IAS 39 and accordingly are not held at fair value.

The contracted volume and principal commitments of all derivative commodity trades, outstanding at 31 December 2005 were:

GROUP and COMPANY

	Units	Volume of trades at 31 December 2005 millions	Principal commitments £m
Power GTMAs	Mwh	5.6	310.1
Gas NBPs	Therms	2,302.6	995.3
Gas oil and fuel oil	Tonnes	445.5	91.4
Coal ISDAs	Tonnes	4.9	176.7
Carbon EU ETS	Tonnes	11.0	163.4
Total			1,736.9

The table below shows the maturity of the principal commitments for the derivative financial instruments.

GROUP	< 1yr £m	1-5 yrs £m	> 5yrs £m	Total £m
Energy derivatives	1,198.4	511.5	27.0	1,736.9
Foreign exchange derivatives	146.0	369.5	47.8	563.3
Interest rate derivatives	0.8	3.2	4.4	8.4
Total	1,345.2	884.2	79.2	2,308.6

COMPANY	< 1yr £m	1-5 yrs £m	> 5yrs £m	Total £m
Energy derivatives	1,198.4	511.5	27.0	1,736.9
Foreign exchange derivatives	-	347.0	-	347.0
Total	1,198.4	858.5	27.0	2,083.9

NOTES TO THE FINANCIAL STATEMENTS continued

29. Derivative financial instruments continued

Assumptions made in calculating fair value

The Group estimates fair values for the commodity contracts using tradable contract prices quoted in the active market and using valuation techniques reflecting market views. These are then discounted using the published LIBOR curve for the time value of money and adjusted for counterparty credit risk.

The Group considers that the UK market for commodity contracts including gas and electricity are active for up to 2 – 3 years forward, with reliable broker quotes and published prices available, therefore in this active period commodity contracts are valued at forward market prices as at 31 December 2005. Outside the active period where liquidity in the market is low, due to the available range of contract quotes limited to seasonal contracts, a number of interpolation/extrapolation methods are used based on market expectations.

Counter-part credit risk is applied to cover the risk of default by individual counterparties and the financial benefits of contracts. Credit ratings used are based on Standard & Poors and Moody's published figures and applied to the net position by counterparty where the Group has a legal right and practice of net settlement. The majority of significant exposures are with A-rated counterparties or better.

The Barking power purchase agreement embedded derivative is not traded on an active market, however the major value drivers can be derived either from market prices and longer term market price forecasts or from estimated contract capacity costs. The main market based drivers are power, gas and EU emissions trading allowances, which whilst not actively traded in the period, are derived from current future prices and from a long-term forecast. The contract capacity costs have been estimated using the terms of the contract, and the understanding gained of the relevant operating costs that will be passed through.

Fair values for foreign exchange derivatives and for interest rate derivatives have been determined with reference to closing market prices at 31 December 2005.

The Group has designated certain power, gas and coal derivatives as cashflow hedges of forecast transactions. In each case the risk being hedged is commodity price risk.

The maturity analysis of the amounts included in the hedging reserve is as follows:

GROUP	31 December 2005 £m
Less than one year	250.4
Between one to two years	135.7
Between two years and five years	(11.4)
Deferred taxation	(115.1)
Total	259.6

During the year £39.9m was recycled out of the hedging reserve relating to trades which delivered during the year.

COMPANY	31 December 2005 £m
Less than one year	238.1
Between one to two years	135.7
Between two years and five years	41.2
Deferred taxation	(125.2)
Total	289.8

NOTES TO THE FINANCIAL STATEMENTS continued

29. Derivative financial instruments continued

Interest rate profile of financial liabilities

The interest rate profile of financial liabilities as at 31 December 2005 subsequent to the effect of interest rate swaps was as follows:

The interest rate profiles for fixed and floating debt were as follows:

	GROUP 2005	COMPANY 2005
Weighted average fixed interest rate %	6.8%	5.2%
Weighted average floating interest rate %	4.7%	-
Weighted average period for long-term debt (years)	14.3 yrs	4.0yrs

All foreign currency denominated debt interest and principal payments have been fully swapped into Sterling.

At 31 December 2005, the Group had two interest rate swaps (2004: one). The fair value of the interest rate swaps outstanding at 31 December 2005 was £(7.2)m (2004: £0.1m). The Company had no interest rate swaps in 2005 or 2004.

Maturity of borrowings

The Group's maturity of debt at 31 December was as follows:

	GROUP 2005 £m	COMPANY 2005 £m
In one year or less or on demand	1,473.4	670.8
In more than one year but not more than two years	-	-
In more than two years but not more than five years	343.6	343.6
In more than five years	1,881.4	-
Total	3,698.4	1,014.4

At the balance sheet date, the total principal amount of outstanding forward foreign exchange contracts for which the Group and the Company had contracted was as follows:

	2005 £m
US Dollar forward purchase agreements	177.1
Euro forward purchase agreements	238.6

NOTES TO THE FINANCIAL STATEMENTS continued

29. Derivative financial instruments continued

Comparatives

The Group has taken advantage of the exemption from preparing comparative information under IAS 32 and IAS 39. Therefore the 2004 financial instruments are without restatement. The FRS13 required disclosures are found below for 2004 but have been amended to reflect changes in balance sheet presentation and adoption of other IFRS's. In order to comply with IAS32/39, financial assets and liabilities at 31 December 2004 would be revalued to fair value and additional disclosure would have been given.

Interest rate profile of financial liabilities

The interest rate profile of financial liabilities as at 31 December 2004 was as follows:

The interest rate profiles for fixed and floating debt were as follows:

	GROUP 2004	COMPANY 2004
Weighted average fixed interest rate %	6.8%	5.2%
Weighted average floating interest rate %	4.6%	-
Weighted average period for long-term debt (years)	15.2 yrs	5.0yrs

All foreign currency denominated debt interest and principal payments have been fully swapped into Sterling.

At 31 December 2004, the Group had one interest rate swap with a fair value of £(0.1)m.

Maturity of borrowings

The Group's maturity of debt at 31 December 2004 was as follows:

	GROUP £m	COMPANY £m
In one year or less or on demand	596.4	690.2
In more than one year but not more than two years	301.4	-
In more than two years but not more than five years	347.0	347.0
In more than five years	2,571.1	-
	3,815.9	1,037.2

Borrowing facilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements at other than fair values.

	GROUP		COMPANY	
	Book value 2004 £m	Fair value 2004 £m	Book value 2004 £m	Fair value 2004 £m
Floating rate borrowings	1,256.5	1,743.9	690.2	690.2
Fixed rate borrowings	2,559.4	2,666.9	347.0	367.8
Forward currency contracts	-	(6.9)	-	-
Interest rate swaps	-	(28.8)	-	-
Total	3,815.9	4,375.1	1,037.2	1,058.0

NOTES TO THE FINANCIAL STATEMENTS continued

29. Derivative financial instruments continued

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts for which the Group and the Company had contracted was as follows:

	2004 £m
Forward foreign exchange contracts	177.5

Currency exposure

The table below shows the extent to which the Group has monetary liabilities in currencies other than pounds sterling. Foreign exchange differences on retranslating of such liabilities are taken to the income statement.

FUNCTIONAL CURRENCY OF GROUP LIABILITIES

	2004 £m
US Dollar denominated	214.5
Euro denominated	347.0

Aggregated gains and losses on hedges

Gains and losses on instruments used for hedging are not recognised until the transaction that is being hedged is itself recognised in the income statement. Unrecognised gains and losses on instruments used for hedging, and the movements are set out below.

Unrecognised contracts gains/losses

	2004 £m
Losses on hedges at beginning of year	(2.2)
Gains arising in previous years that were recognised in the year	0.2
	(2.0)
Profits arising in the year that were not recognised in the year	7.1
Net gains/ (losses) on hedges at end of year	5.1

In the table above the carried forward unrecognised net gain at 31 December 2004 of £5.1million equates to the difference between the fair value and book value of hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS continued

30. Provisions for liabilities and charges

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

GROUP	At 1 January 2005	Utilised in the year	Released in the year	Arising during the year	Unwinding of discount	At 31 December 2005
	£m	£m	£m	£m	£m	£m
Medway power contract	119.1	(27.1)	-	-	-	92.0
Obligations under EU emissions	-	-	-	64.5	-	64.5
Teesside power contract	46.2	(5.7)	-	-	(8.5)	32.0
Insurance	27.4	(3.6)	(1.0)	7.3	-	30.1
Decommissioning	20.0	-	-	-	1.9	21.9
Legal disputes	10.9	(0.1)	(4.8)	0.1	-	6.1
Onerous lease contracts	4.5	(0.5)	-	1.0	-	5.0
Restructuring costs	14.2	(11.8)	-	11.0	-	13.4
Other costs	2.6	-	(1.5)	-	-	1.1
	244.9	(48.8)	(7.3)	83.9	(6.6)	266.1

The provisions have been split as follows:

GROUP	Current	Non-Current	Total
	£m	£m	£m
Medway power contract	25.5	66.5	92.0
Obligations under EU emissions	64.5	-	64.5
Teesside power contract	14.2	17.8	32.0
Insurance	30.1	-	30.1
Decommissioning	-	21.9	21.9
Legal disputes	6.1	-	6.1
Restructuring costs	13.4	-	13.4
Onerous lease contracts	0.5	4.5	5.0
Other costs	1.1	-	1.1
	155.4	110.7	266.1

COMPANY	At 1 January 2005	Utilised in the year	Released in the year	Arising during the year	At 31 December 2005
	£m	£m	£m	£m	£m
Onerous lease contracts	4.5	(0.5)	-	1.0	5.0
Restructuring costs	14.2	(11.8)	-	11.0	13.4
Legal disputes	1.0	-	(0.5)	-	0.5
Insurance	1.2	-	(1.0)	0.1	0.3
Other costs	1.4	-	(0.1)	-	1.3
	22.3	(12.3)	(1.6)	12.1	20.5

NOTES TO THE FINANCIAL STATEMENTS continued

30. Provisions for liabilities and charges continued

The provisions have been split as follows:

COMPANY	Current	Non-Current	Total
	£m	£m	£m
Onerous lease contracts	0.5	4.5	5.0
Restructuring costs	13.4	-	13.4
Legal disputes	0.5	-	0.5
Insurance	0.3	-	0.3
Other costs	1.3	-	1.3
	16.0	4.5	20.5

The movements in provisions for 2004 were as follows;

GROUP	At 1 January 2004 £m	Utilised in the year £m	Released in the year £m	Arising during the year £m	At 31 December 2004 £m
Medway Power contract	149.9	(30.8)	-	-	119.1
Teesside Power contract	60.4	(14.2)	-	-	46.2
Insurance	19.4	(1.4)	(0.3)	9.7	27.4
Decommissioning	-	-	-	20.0	20.0
Legal disputes	17.5	(0.2)	(12.2)	5.8	10.9
Onerous lease contracts	1.1	-	(0.6)	4.0	4.5
Power Trading contract	0.7	(0.7)	-	-	-
Restructuring costs	25.8	(11.6)	-	-	14.2
Other costs	2.0	-	(0.4)	1.0	2.6
	276.8	(58.9)	(13.5)	40.5	244.9

COMPANY	At 1 January 2004 £m	Utilised in the year £m	Released in the year £m	Arising during the year £m	At 31 December 2004 £m
Onerous lease contract	1.0	-	(0.6)	4.1	4.5
Restructuring costs	25.8	(11.6)	-	-	14.2
Legal disputes	-	-	-	1.0	1.0
Insurance	1.5	-	(0.3)	-	1.2
Other costs	1.4	-	-	-	1.4
	29.7	(11.6)	(0.9)	5.1	22.3

The Teesside power provision arose on the acquisition of the supply business of South Western Electricity. The Medway power contract provisions resulted from the acquisition of SEEBOARD. These provisions represent the difference between the contract price and the estimated market price of energy at the date of acquisition. The discount rate used in arriving at the provisions was a risk adjusted rate.

The provisions for obligations under EU emissions represents the additional certificates required to cover the Group's carbon emissions in excess of the free allocation of certificates. It is expected that this provision will be utilised in 2006 because the Group is required to provide carbon certificates on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS continued

30. Provisions for liabilities and charges continued

The insurance provision is based on an assessment of the Group's known liabilities as at 31 December 2005. The provision is calculated by our captive insurers, using various assumptions and is to cover our estimated exposure on various motor, personal or claims against the networks business. The provision is expected to be utilised within one year based on claim history.

The decommissioning provision is to provide for the future costs of decommissioning Cottam, West Burton and Sutton Bridge power stations. This provision has been calculated on a discounted basis with the discount unwound over the remaining period to decommissioning to 2030.

The legal disputes provision relates to costs expected to be paid out under a number of ongoing legal cases. Any uncertainties within the cases have been considered in the calculation of the provision. These cases are all expected to be settled during 2006.

The restructuring provision covers the costs of severance related to restructuring announced before 31 December 2005. The provision is expected to be utilised in 2006. Where individual redundancy packages have not yet been agreed, a provision has been created based on the range offered.

The provision for onerous lease contracts represents the difference between the projected rental income from various properties and the amounts payable by the Group for those properties under currently existing contracts. These are expected to be utilised between 2006 and 2014.

31. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

GROUP	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Fair value of derivative instruments £m	Other £m	Total £m
At 1 January 2004	868.9	(5.8)	(106.8)	-	(79.2)	677.1
Charge to income	45.0	0.5	3.3	-	25.8	74.6
At 1 January 2005	913.9	(5.3)	(103.5)	-	(53.4)	751.7
Adoption of IAS 39	-	-	-	(1.8)	-	(1.8)
Restated at 1 January 2005	913.9	(5.3)	(103.5)	(1.8)	(53.4)	749.9
Charge to income	20.6	5.3	9.0	-	38.4	73.3
Charge to equity	-	-	-	116.9	-	116.9
At 31 December 2005	934.5	-	(94.5)	115.1	(15.0)	940.1

NOTES TO THE FINANCIAL STATEMENTS continued

31. Deferred tax continued

COMPANY	Accelerated tax depreciation £m	Retirement benefit obligations £m	Fair value of derivative instruments £m	Other £m	Total £m
At 1 January 2004	10.9	(5.3)	-	(5.8)	(0.2)
(Credit) to income	0.4	0.1	-	(5.2)	(4.7)
At 1 January 2005	11.3	(5.2)	-	(11.0)	(4.9)
Adoption of IAS39	-	-	5.5	-	5.5
Restated at 1 January 2005	11.3	(5.2)	5.5	(11.0)	0.6
Charge to income	(4.8)	0.6	-	16.9	12.7
Charge to equity	-	-	119.7	-	119.7
At 31 December 2005	6.5	(4.6)	125.2	5.9	133.0

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes;

	GROUP		COMPANY	
	2005 £m	2004 £m	2005 £m	2004 £m
Deferred tax assets	(213.3)	(186.3)	(12.4)	(17.1)
Deferred tax liabilities	1,153.4	938.0	145.4	12.2
At 31 December 2005	940.1	751.7	133.0	(4.9)

At the balance sheet date, the Group had unused tax losses of £nil (2004: £17.7m) available for offset against future profits. A deferred tax asset has been recognised in respect of £nil (2004: £5.3m) of such losses.

32. Minority interest

	GROUP £m
At 1 January 2005	2.0
Profit on ordinary activities after taxation	0.2
At 31 December 2005	2.2

The minority interest arises from the Groups holdings in EDF Energy Powerlink Limited. The Group holds 80% of the shares in that company, with the other 20% being held by Balfour Beatty plc and ABB Investments Limited.

NOTES TO THE FINANCIAL STATEMENTS continued

33. Commitments

Capital and other commitments

At 31 December 2005, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £137.5 million (2004: £96.3 million). The Company had not entered into any contractual commitments for the purchase of property, plant and equipment (2004: £nil.)

At 31 December, the Group and the Company had contracted to purchase power and gas under power purchase agreements (PPAs) to the value of £947.4m (2004: £ 1,157.0m) and contracts for the purchase of coal of £304.0m (2004: £96.7m).

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2005 £m	2004 £m
GROUP		
Within one year	37.5	36.1
After one year but not more than five years	126.9	133.8
More than five years	327.6	357.8
Future lease charges	492.0	527.7

	2005 £m	2004 £m
COMPANY		
Within one year	11.6	13.0
After one year but not more than five years	40.8	42.9
More than five years	57.4	67.0
Future lease charges	109.8	122.9

Operating lease payments represent rentals payments made payable by the Group and the Company for the properties that it leases under operating lease.

NOTES TO THE FINANCIAL STATEMENTS continued

33. Commitments continued

Finance lease commitments

The Group has finance leases for various items of property, plant and machinery. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	£m	£m	£m	£m
Within one year	33.5	38.9	11.5	12.3
After one year but not more than five years	140.9	155.9	61.6	59.0
More than five years	376.8	428.8	276.1	290.2
	551.2	623.6	349.2	361.5
Less: Future finance charges	(202.0)	(262.1)	N/A	N/A
Minimum lease payments	349.2	361.5		

The Group's finance lease commitments relate to the Cottam power station under a finance lease from another company within the EDF SA group. The term of the lease is 15 years and has an effective interest rate of 6.4% based on LIBOR rates. Repayments under the lease are re-calculated quarterly and no arrangements have been entered into for contingent rental payments. The lease is denominated in Sterling.

Financing commitments

The Group has committed to provide its share of further equity funding and subordinated debt to joint ventures and associates in respect of public finance initiative ("PFI") projects. These commitments totalled £105.1m at 31 December 2005 (2004: £ 108.1m)

34. Contingent liabilities

As a result of breaching the deficiency points threshold EDF Energy Powerlink Limited has now received a second formal warning from London Underground (LU) which technically gives LU a right to terminate the Power Service Contract (PSC). In the event of termination of the PSC by LU it is estimated that EDF Energy would suffer a charge to the income statement in the range £34m - £37m before tax, comprising a £16.6m write down of its share of Powerlink and PADCo, and £18-20m cash contribution to repay the bank debt and meet all other creditor commitments. Although LU have a technical right to terminate the contract they have taken no action to do so and are continuing to renegotiate aspects of the contract with EDF Energy.

The Company and certain subsidiary companies have given guarantees in respect of bonds relating to the Group's own contracts, and have given guarantees in respect of the Group's share of contractual obligations of associates and joint ventures.

The Group has given a joint and several guarantee of Trans4m's obligations under its contract with Metronet. Under the terms of the contract, EDF Energy's maximum share of Trans4m's obligations would be £112m, unless Trans4m terminated the Metronet contract. In this instance, EDF Energy would additionally be liable for any price differential incurred by Metronet in arranging completion of the work, capped at the price contracted with Trans4m. A similar guarantee has been given relating to EDF Energy Contracting Limited's obligations under contract to Metronet which has also been limited to a maximum of £46m except in the case of abandonment of the contract by EDF Energy (Contracting) Limited.

NOTES TO THE FINANCIAL STATEMENTS continued

34. Contingent liabilities continued

The Group has given letters of credit to various associates, joint ventures. The letter of credit granted to Metronet was £2.9m (2004: £14.0m) and is equal to the additional equity the Group is contractually obliged to contribute.

35. Share capital

	2005 Number	2004 Number	2005 £m	2004 £m
Authorised				
Ordinary shares of £0.5833 each	2,228,713,439	2,228,713,439	1,300.0	1,300.0
Ordinary shares of £0.50 each	300,000,002	300,000,002	150.0	150.0
	2005 Number	2004 Number	2005 £m	2004 £m
Allotted, called up and fully paid				
Ordinary shares of £0.5833 each	2,222,739,164	2,222,739,164	1,296.6	1,296.6

The company has one class of ordinary share which carries no right to fixed income.

36. Capital reserves

GROUP	Share Premium £m	Capital Contribution £m	Redemption Reserve £m	Total £m
At 1 January 2004	13.9	-	11.0	24.9
At 31 December 2004	13.9	-	11.0	24.9
Capital contribution	-	10.6	-	10.6
At 31 December 2005	13.9	10.6	11.0	35.5

COMPANY	Share Premium £m	Capital Contribution £m	Redemption Reserve £m	Total £m
At 1 January 2004	13.9	-	11.0	24.9
At 31 December 2004	13.9	-	11.0	24.9
Capital contribution	-	2.1	-	2.1
At 31 December 2005	13.9	2.1	11.0	27.0

The capital contribution represents the costs incurred of providing the favourable terms to employees in respect of shares in EDF as part of the initial public offering. See note 9 for further details.

NOTES TO THE FINANCIAL STATEMENTS continued

37. Retained earnings

	Group £m	Company £m
At 1 January 2004	96.5	27.8
Profit for the year	402.3	67.5
Equity dividends (note 13)	(85.7)	(85.7)
At 31 December 2004	413.1	9.6
Profit for the year	291.6	181.0
Equity dividends (note 13)	(96.0)	(96.0)
At 31 December 2005	608.7	94.6

38. Hedging reserve

	GROUP £m	COMPANY £m
At 1 January 2005	-	-
Effect of change in accounting policy	(6.2)	18.4
Deferred taxation on change in accounting policy	1.8	(5.5)
Restated balance at 1 January 2005	(4.4)	12.9
Net gains on items in cash flow hedge	380.9	396.6
Deferred taxation on net gains in cash flow hedge	(116.9)	(119.7)
At 31 December 2005	259.6	289.8

The hedging reserve represents the commodity price and foreign exchange movements on hedged contracts that are classified as cash flow hedges.

NOTES TO THE FINANCIAL STATEMENTS continued

39. Notes to the cash flow statement

	GROUP		COMPANY	
	2005	2004	2005	2004
	£m	£m	£m	£m
Profit before taxation	430.5	503.2	(52.8)	23.8
Adjustments for:				
Gain on derivatives	(35.4)	-	(35.4)	-
Depreciation and amortisation	279.9	257.9	8.0	9.3
Amortisation of intangible assets	18.7	19.7	18.2	16.0
Finance cost	234.3	231.0	(1.8)	(12.7)
Gain on disposal of property, plant and equipment	(35.8)	(54.5)	(28.9)	(44.5)
Gain on disposal of associates	-	(28.1)	-	(21.0)
Increase/(decrease) in provisions	21.2	(25.8)	(1.8)	(7.4)
Increase/(decrease) in post employment benefit provisions	3.9	(28.0)	2.6	11.5
IFRS 2 share costs	10.6	-	2.1	-
Amortisation of customer contributions	(32.8)	(25.8)	-	-
Operating cash flows before movements in working capital	895.1	849.6	(89.8)	(25.0)
Increase in inventories	(24.8)	(5.4)	(26.6)	(13.4)
Increase in receivables	(319.7)	(63.6)	(99.5)	(49.9)
Increase in payables	151.2	92.8	207.6	351.6
Cash generated by operations	701.8	873.4	(8.3)	263.3
Pension deficit payment	(34.4)	-	(1.6)	-
Income taxes paid	(105.5)	(81.8)	(74.2)	(63.2)
Net cash from operating activities	561.9	791.6	(84.1)	200.1

NOTES TO THE FINANCIAL STATEMENTS continued

40. Retirement benefit schemes

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 2005 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 Group closed its non-ESPS pension arrangements 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 majority of employees of EDF Energy Powerlink Limited are members of the LRT Pension Fund which is a defined benefit scheme. Contributions to this scheme by the EDF Energy Group are capped and therefore the scheme is accounted for by the Group as a defined contribution.

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 ESPS liabilities under IAS 19 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		
- full RPI	2.9	2.9
- LPI up to 5% (EEPS – service to 31 March 2006)	2.8	2.7
- LPI up to 2.5% (EEPS – service from 31 March 2006)	2.1	-

These assumptions are governed by IAS 19 and do not reflect the assumptions used by the independent actuary in the triennial valuation as at 31 March 2001, which determined the Group's contribution rate for future years.

The expected return on assets are set based on advice given by the Group's actuaries and reflect the market expectations of the long term rate of return of assets at the balance sheet date with gilts used as a benchmark.

NOTES TO THE FINANCIAL STATEMENTS continued

40. Retirement benefit schemes continued

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

GROUP	ESPS 2005 £m	EEPS 2005 £m	Total 2005 £m	Total 2004 £m
Present value of defined benefit obligations	(2,569.5)	(62.0)	(2,631.5)	(2,303.0)
Fair value of scheme assets	2,174.0	46.0	2,220.0	1,875.0
Deficit in scheme	(395.5)	(16.0)	(411.5)	(428.0)
Unrecognised actuarial gains	86.0	11.0	97.0	83.0
Liability recognised in the balance sheet	(309.5)	(5.0)	(314.5)	(345.0)

This amount is presented in non-current liabilities.

Amounts recognised in expenses in respect of these defined benefit schemes are as follows:

	ESPS 2005 £m	EEPS 2005 £m	Total 2005 £m	Total 2004 £m
Current service cost	29.0	14.0	43.0	42.0
Interest cost	119.0	2.0	121.0	112.0
Expected return on scheme assets	(131.0)	(2.0)	(133.0)	(130.0)
Actuarial (gains) / losses	2.0	-	2.0	-
Past service cost	-	-	-	-
Shortfall in respect of transfers in	8.0	-	8.0	-
Changes arising on curtailments/settlements	6.0	-	6.0	5.0
Total operating cost	33.0	14.0	47.0	29.0

Of the charge for the year £59.2m (2004 - £47.7m) has been included in personnel costs and an income of £12.0m (2004 - £18.0m) has been included in interest. The movement in the pension deficit during the year was less than the 10% corridor and has not been recognised in the income statement. The amount of the unrecognised loss in 2005 was £97.0m (2004: £83m).

Movements in the present value of defined obligations in the current period were as follows:

	ESPS 2005 £m	EEPS 2005 £m	Total 2005 £m	Total 2004 £m
At 1 January	2,277.0	26.0	2,303.0	2,108.0
Service cost	35.0	14.0	49.0	47.0
Interest cost	119.0	2.0	121.0	112.0
Actuarial gains and losses	224.0	14.0	238.0	125.0
Obligation on transfers in	8.0	-	8.0	-
Benefits paid	(93.5)	6.0	(87.5)	(89.0)
	2,569.5	62.0	2,631.5	2,303.0

NOTES TO THE FINANCIAL STATEMENTS continued

40. Retirement benefit schemes continued

Movements in the present value of fair value of scheme assets in the current period were as follows:

	ESPS 2005 £m	EEPS 2005 £m	Total 2005 £m	Total 2004 £m
At 1 January	1,850.0	25.0	1,875.0	1,752.0
Expected return on scheme assets	131.0	2.0	133.0	130.0
Actuarial gains and losses	220.0	2.0	222.0	42.0
Contributions by employer	66.5	11.0	77.5	40.0
Benefits paid	(93.5)	6.0	(87.5)	(89.0)
	2,174.0	46.0	2,220.0	1,875.0

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 £m ESPS	2005 £m EEPS	2004 £m
Gilts	4.1	4.5	443.0	-	370.0
Equities	7.8	8.2	1,495.0	23.0	1,283.0
Property	6.8	7.2	58.0	-	54.0
Corporate bonds	4.5	5.0	156.0	23.0	151.0
Cash	4.6	5.0	22.0	-	17.0
			2,174.0	46.0	1,875.0

The history of experience adjustments is as follows:

	ESPS 2005 £m	EEPS 2005 £m	Total 2005 £m	Total 2004 £m
Present value of defined benefit obligations	(2,569.5)	(62.0)	(2,631.5)	(2,303.0)
Fair value of scheme assets	2,174.0	46.0	2,220.0	1,875.0
Deficit in the scheme	(395.5)	(16.0)	(411.5)	(428.0)
Experience adjustments on scheme liabilities	(224.0)	(14.0)	(238.0)	(125.0)
Percentage of scheme liabilities (%)	8.7%	22.6%	9.0%	5.4%
Experience adjustments on scheme assets	220.0	2.0	222.0	42.0
Percentage of scheme assets (%)	10.1%	4.3%	10.0%	2.2%

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £84m.

NOTES TO THE FINANCIAL STATEMENTS continued

40. Retirement benefit schemes continued

In addition to the pension provision recognised, there is an additional amount of £5.9m (2004: £5.5m) included within trade and other payables (note 27) which relates to the unapproved pension scheme amounts.

Pension disclosures relating to the Company are as follows:

	ESPS 2005 £m	EEPS 2005 £m	Total 2005 £m	Total 2004 £m
Present value of defined benefit obligations	(124.1)	(27.2)	(151.3)	(122.2)
Fair value of scheme assets	103.4	20.0	123.4	100.9
Deficit in scheme	(20.7)	(7.2)	(27.9)	(21.3)
Unrecognised actuarial losses	2.6	5.9	8.5	2.9
Liability recognised in the balance sheet	(18.1)	(1.3)	(19.4)	(18.4)

This amount is presented in non-current liabilities.

Amounts recognised in expenses in respect of these defined benefit schemes are as follows:

	ESPS 2005 £m	EEPS 2005 £m	Total 2005 £m	Total 2004 £m
Current service cost	1.8	1.7	3.5	7.6
Interest cost	5.7	1.0	6.7	5.9
Expected return on scheme assets	(6.2)	(1.1)	(7.3)	(7.2)
Actuarial losses	1.0	-	1.0	-
Shortfall in respect of transfers in	1.5	-	1.5	-
Changes arising on curtailments/settlements	0.4	-	0.4	0.3
Total operating cost	4.2	1.6	5.8	6.6

Of the charge for the year £6.4m (2004: £7.9m) has been included in personnel costs and an income of £0.6m (2004: £1.3m) has been included in interest.

Movements in the present value of defined obligations in the current period were as follows:

	ESPS 2005 £m	EEPS 2005 £m	Total 2005 £m	Total 2004 £m
At 1 January	108.3	13.9	122.2	107.1
Service cost	1.8	1.7	3.5	7.4
Interest cost	5.7	1.0	6.7	5.9
Actuarial gains and losses	10.8	7.4	18.2	3.6
Obligation on transfers in	1.5	-	1.5	-
Benefits paid/(received)	(2.8)	3.2	0.4	(2.1)
Changes arising on curtailments/settlements	0.4	-	0.4	0.3
Deficit payments	(1.6)	-	(1.6)	-
	124.1	27.2	151.3	122.2

NOTES TO THE FINANCIAL STATEMENTS continued

40. Retirement benefit schemes continued

Movements in the present value of fair value of scheme assets in the current period were as follows:

	ESPS 2005 £m	EEPS 2005 £m	Total 2005 £m	Total 2004 £m
At 1 January	87.6	13.3	100.9	88.2
Expected return on scheme assets	6.2	1.1	7.3	7.2
Actuarial gains and losses	10.4	1.1	11.5	0.7
Contributions by employer	2.0	1.3	3.3	6.9
Benefits paid	(2.8)	3.2	0.4	(2.1)
	103.4	20.0	123.4	100.9

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 %	ESPS 2005 £m	EEPS 2005 £m	2004 £m
Gilts	4.5	4.1	21.1	-	15.9
Equities	8.2	7.8	71.1	10.0	69.1
Property	7.2	6.8	2.8	-	0.9
Corporate bonds	5.0	4.5	7.4	10.0	12.8
Cash	5.0	4.6	1.0	-	2.2
			103.4	20.0	100.9

The history of experience adjustments is as follows:

	ESPS 2005 £m	EEPS 2005 £m	Total 2005 £m	Total 2004 £m
Present value of defined benefit obligations	(124.1)	(27.2)	(151.3)	(122.2)
Fair value of scheme assets	103.4	20.0	123.4	100.9
Deficit in the scheme	(20.7)	(7.2)	(27.9)	(21.3)
Experience adjustments on scheme liabilities	(10.8)	(7.4)	(18.2)	(2.3)
Percentage of scheme liabilities (%)	8.7%	30.1%	12.3%	1.9%
Experience adjustments on scheme assets	10.4	1.1	11.5	0.7
Percentage of scheme assets (%)	10.1%	5.5%	9.3%	0.7%

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £84m.

In addition to the pension provision recognised, there is an additional amount of £5.9m (2004: £5.5m) included within trade and other payables (note 27) which relates to the unapproved pension scheme amounts.

NOTES TO THE FINANCIAL STATEMENTS continued

41. Related parties

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year.

GROUP		Sales to related parties £m	Purchases from related parties £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Associate:					
	2005	3.4	(82.0)	-	(2.6)
	2004	2.6	(82.0)	1.8	-
Joint ventures:					
	2005	-	-	2.1	-
	2004	3.8	(19.2)	2.3	-
Trading with other EDF SA group companies					
	2005	-	(296.1)	19.1	(81.7)
	2004	-	(152.2)	8.6	(44.5)
Finance lease commitments with other EDF SA group companies					
	2005	-	(11.5)	-	(349.1)
	2004	-	(12.3)	-	(361.5)

Details of transactions with the pension scheme are disclosed in note 40.

EDF Energy plc trades with other group companies which are part of the Electricité de France SA group.

COMPANY		Sales to related parties £m	Purchases from related parties £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Other EDF Energy plc group companies					
	2005	2,670.8	(230.1)	379.9	(6.2)
	2004	1,941.0	(251.3)	379.6	(24.0)
Trading with other EDF SA group					
	2005	-	(296.2)	19.1	(79.5)
	2004	-	(152.2)	8.6	(44.5)

Sales and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year end the company has not raised any provision for doubtful debts relating to amounts owed by related parties (2004 - £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market value in which the related party operates.

NOTES TO THE FINANCIAL STATEMENTS continued

41. Related parties continued

Transactions with key management personnel

GROUP and COMPANY	2005 £m	2004 £m
Short term benefits	2.5	2.3
Post employment benefits	0.2	0.2
	2.7	2.5

Key management personnel comprise members of the Board and the Executive Committee, a total of 7 individuals at 31 December 2005 (2004: 7). The Executive Committee is a cross-branch committee of senior staff who take part in the decision-making for the Group.

42. Reconciliation between UK GAAP and IFRS

As described in note 2 the 2005 financial statements have been prepared under IFRS. Reconciliations of the Group's income statement and cash flow statement for the year ended 31 December 2004 and balance sheets at 1 January 2004 and 31 December 2004, have been set out below. These show the effects of changes in presentation and accounting policies arising from adoption of IFRS on the figures published under UK GAAP for year ended 31 December 2004. The main changes are set out below.

Principal changes in presentation:

The cash flow statement has been presented differently under IFRS than under UK GAAP. Under UK GAAP, cash was reconciled from net cash inflow from operating activities, however under IFRS, cash is reconciled from profit before tax. Other differences relating to the cash-flow statement arose due to restatements arising from the changes in accounting policy.

The Group has changed its policy regarding presentation of customer contributions. Under UK GAAP, these were shown as a reduction of property, plant and equipment, however under IFRS, they are shown as deferred income.

IAS12 Income taxes

IAS12 required the group to provide for deferred taxation on fair value acquisitions, which was not provided under UK GAAP. The adoption of this policy led to a decrease in net assets of £129.6m at 31 December 2004 and a fall in profit for 2004 of £5.4 million.

IAS38 Goodwill

The adoption of IFRS 3 (Business Combinations) has resulted in the Group ceasing annual goodwill amortisation and to test for impairment annually at the cash generating unit level from 1 January 2005. Impairment tests are performed in accordance with IAS 36 Impairment of assets. Reversal of the amortisation of goodwill had a positive impact of £63.9 million on net income in 2004 and 2005, increasing restated profit in 2004 and overall net assets. No impairment was required in either 2004 or 2005 following the impairment review.

IAS19 Post employment benefits

In previous financial statements, the Group applied SSAP24 to account for its defined benefit pension scheme. SSAP24 required the cost of providing the pensions to be charged through operating profit, with any surpluses/ deficits on the scheme being amortised over the remaining lives of employees.

IAS19 requires the defined benefit pension scheme deficit to be shown on the face of the balance sheet. On the adoption of IAS 19, the Group has recognised its pension deficit on the balance sheet. This can be seen in the accounts as a provision for post employment benefits. This caused a reduction in profit before tax in 2004 of £35.9m, and a reduction in net assets at 31 December 2004 of £258.8m

NOTES TO THE FINANCIAL STATEMENTS continued

42. Reconciliation between UK GAAP and IFRS continued

In addition, the Group has elected to adopt the amendments to IAS19 in advance of their effective date of 1 January 2006. The impact of these amendments has been to expand the disclosures relating to the Group's defined benefit retirement benefit plan (see note 40).

IFRS2 Share based payments

EDF Energy plc's ultimate parent company, Electricité de France S.A was partially floated on the Euronext on 21 November 2005. At the initial public offering ("IPO") of shares the Group has adopted the policy of offering shares to staff under certain incentive schemes which are covered by IFRS 2. IFRS 2 Share based payments requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date. Under IFRS2, this standard was required to be applied retrospectively to equity instruments issued since 7 November 2002. However, no such transactions fell under the standard in previous years. In 2005, the adoption of the standard has resulted in a net charge to income of £14.9 million (before taxation).

The additional employer's contribution granted in one of the employee offer schemes was also valued as an employee benefit, and recorded in personnel expenses in the same way as the annual employer's contribution to investment plans granted to employees.

IAS39 Financial instruments

At 1 January 2005, the Group applied the standards IAS32 and IAS39 regarding financial instruments which impacted on the opening balance sheet by requiring the recognition of derivatives on the balance sheet. In accordance with the transition methods under IFRS1, the Group has taken the exemption from restating prior year information for the effects of these two standards. The comparative information has therefore been presented without restatement. The restatement of the balance sheet at 1 January 2005 to comply with the requirements of IAS32 and IAS39 has been treated as a change in accounting policy.

IAS31 Interest in joint ventures

Under IFRS, the Group has changed its accounting treatment for joint ventures to proportionate consolidation rather than the gross equity method. The Group's two joint ventures, PADCo and Trans4m are presented accordingly; this did not impact either profit or net assets for the year ended 31 December 2004 but had a significant impact on presentation in both the income statement, and the balance sheet.

First-time adoption of IFRS

Reconciliation of balances at 1 January 2004

	Amounts reported per UK GAAP in 2004	Changes in presentation	Adoption of IAS19	Adoption of IAS12	Adoption of IAS31	Amounts reported per IFRS in 2004
Group balance sheet						
Non current assets	6,443.3	1,087.5	-	-	66.6	7,597.4
Current assets	1,071.8	85.9	-	-	17.7	1,175.4
Total assets	7,515.1	1,173.4	-	-	84.3	8,772.8
Current liabilities	(2,100.8)	(249.9)	(294.8)	(124.2)	(17.2)	(2,786.9)
Non current liabilities	(3,573.5)	(923.5)	-	-	(67.1)	(4,564.1)
Total liabilities	(5,674.3)	(1,173.4)	(294.8)	(124.2)	(84.3)	(7,351.0)
Net assets	1,840.8	-	(294.8)	(124.2)	-	1,421.8

The adjustment in respect of IAS19 above is shown net of deferred tax.

NOTES TO THE FINANCIAL STATEMENTS continued

42. Reconciliation between UK GAAP and IFRS continued

Reconciliation of balances at 31 December 2004

	Amounts reported per UK GAAP in 2004	Changes in presentation	Adoption of IAS19	Adoption of IAS12	Adoption of IAS31	Adoption of IAS38	Amounts reported per IFRS in 2004
Group balance sheet							
Non current assets	6,614.6	1,037.1	-	-	69.3	63.9	7,784.9
Current assets	1,034.9	312.2	-	-	22.0	-	1,369.1
Total assets	7,649.5	1,349.3	-	-	91.3	63.9	9,154.0
Current liabilities	(1,898.5)	(1,319.2)	-	-	(23.2)	-	(3,240.9)
Non current liabilities	(3,689.9)	(30.1)	(258.8)	(129.6)	(68.1)	-	(4,176.5)
Total liabilities	(5,588.4)	(1,349.3)	(258.8)	(129.6)	(91.3)	-	(7,417.4)
Net assets	2,061.1	-	(258.8)	(129.6)	-	63.9	(1,736.6)

Group Income Statement	Amounts reported per UK GAAP in 2004	Changes in Presentation	Adoption of IAS19	Adoption of IAS12	Adoption of IAS31	Adoption of IAS38	Amounts reported per IFRS in 2004
Revenue	3,890.7	30.4	-	-	54.3	-	3,975.4
Expenses	(3,477.2)	(48.9)	41.0	-	(51.0)	63.9	(3,472.2)
Profit before tax	413.5	(18.5)	41.0	-	3.3	63.9	503.2
Tax	(107.5)	2.0	(5.1)	(5.4)	(1.9)	-	(117.9)
Share of profit of associates	-	16.6	-	-	(1.4)	-	15.2
Dividends	(85.7)	85.7	-	-	--	-	-
Minority Interest	1.8	-	-	-	--	-	1.8
Total profit transferred to retained earnings	222.1	85.8	35.9	(5.4)	-	63.9	402.3

NOTES TO THE FINANCIAL STATEMENTS continued

42. Reconciliation between UK GAAP and IFRS continued

Group Cash Flows	Amounts reported per UK GAAP in 2004	Changes in Presentation	Adoption of IAS19	Adoption of IAS31	Adoption of IAS38	Amounts reported per IFRS in 2004
Profit from operations	540.8	(145.8)	41.0	3.3	63.9	503.2
Net cash from operating activities	784.0	(0.2)	-	7.8	-	791.6
Net cash used in investing activities	(458.6)	2.9	-	(8.0)	-	(463.7)
Net cash used in financing activities	(294.9)	(83.2)	-	(0.8)	-	(378.9)
Total cash movements in the year	30.5	(80.5)	-	(1.0)	-	(51.0)
Cash and cash equivalents at 1 January	146.1	(26.2)	-	14.1	-	134.0
Cash and cash equivalents at 31 December	176.6	(106.7)	-	13.1	-	83.0

Cash and cash equivalents exclude short term deposits for the purposes of the cashflow under IFRS.

Group Equity Reconciliation	At 1 January 2004	At 31 December 2004
Total equity under UK GAAP	1,840.8	2,061.1
Pension	(294.8)	(258.8)
Deferred tax	(124.2)	(129.6)
Goodwill amortisation	-	63.9
Total equity under IFRS	1,421.8	1,736.6

Reconciliation of balances at 1 January 2004

Company balance sheet	Amounts reported per UK GAAP in 2004	Changes in presentation	Adoption of IAS19	Adoption of IAS12	Amounts reported per IFRS in 2004
Non current assets	2,488.9	137.6	-	-	2,626.5
Current assets	569.1	(324.0)	-	-	245.1
Total assets	3,058.0	(186.4)	-	-	2,871.6
Current liabilities	(1,312.2)	184.2	-	-	(1,128.0)
Non current liabilities	(376.7)	2.2	(18.9)	(0.9)	(394.3)
Total liabilities	(1,688.9)	186.4	(18.9)	(0.9)	(1,522.3)
Net assets	1,369.1	-	(18.9)	(0.9)	1,349.3

NOTES TO THE FINANCIAL STATEMENTS continued

42. Reconciliation between UK GAAP and IFRS continued

Reconciliation of balances at 31 December 2004

	Amounts reported per UK GAAP in 2004	Changes in presentation	Adoption of IAS19	Adoption of IAS12	Amounts reported per IFRS in 2004
Company balance sheet					
Non current assets	2,447.4	3.6	-	-	2,451.0
Current assets	684.8	13.9	-	-	698.7
Total assets	3,132.2	17.5	-	-	3,149.7
Current liabilities	(1,424.3)	(24.9)	-	-	(1,449.2)
Non current liabilities	(369.3)	7.4	(6.6)	(0.9)	(369.4)
Total liabilities	(1,793.6)	(17.5)	(6.6)	(0.9)	(1,818.6)
Net assets	1,338.6	-	(6.6)	(0.9)	1,331.1
Company Equity Reconciliation					
				At 1 January 2004	At 31 December 2004
Total equity under UK GAAP				1,369.1	1,338.6
Pension				(18.9)	(6.6)
Deferred tax				(0.9)	(0.9)
Total equity under IFRS				1,349.3	1,331.1

IAS 32/ 39 reconciliation

Under IFRS1, the Group has adopted to apply IAS 32 and IAS39 from 1 January 2005 and not to show restated comparatives for year ended 31 December 2004. The effect of adopting these standards at 1 January 2005 is shown below:

GROUP	1 January 2005 under IFRS excluding IAS39	Effect of adoption of IAS 39	Tax impact	1 January 2005 under IFRS including IAS39
Non current assets	7,784.9	-	-	7,784.9
Current assets	1,369.1	91.0	-	1,460.1
Total assets	9,154.0	91.0	-	9,245.0
Current liabilities	(2,920.9)	(132.0)	-	(3,052.9)
Non current liabilities	(4,496.5)	34.8	1.8	(4,459.9)
Total liabilities	(7,417.4)	(97.2)	1.8	(7,512.8)
Net assets	1,736.6	(6.2)	1.8	1,732.2
Hedging reserves	-	6.2	(1.8)	4.4
Other capital and reserves	(1,736.6)	-	-	(1,736.6)
Total equity	(1,736.6)	6.2	(1.8)	(1,732.2)

NOTES TO THE FINANCIAL STATEMENTS continued

42. Reconciliation between UK GAAP and IFRS continued

COMPANY	1 January 2005 under IFRS excluding IAS39	Effect of adoption of IAS 39	Tax impact	1 January 2005 under IFRS including IAS39
Non current assets	2,451.0	-	-	2,451.0
Current assets	698.7	91.0	-	789.7
Total assets	3,149.7	91.0	-	3,240.7
Current liabilities	(1,449.2)	(65.7)	-	(1,514.9)
Non current liabilities	(369.4)	(6.9)	(5.5)	(381.8)
Total liabilities	(1,818.6)	(72.6)	(5.5)	(1,896.7)
Net assets	1,331.1	18.4	(5.5)	1,344.0
Hedging reserves	-	(18.4)	5.5	(12.9)
Other capital and reserves	(1,331.1)	-	-	(1,331.1)
Total equity	(1,331.1)	(18.4)	5.5	(1,344.0)

43. Post balance sheet events

On 11 January 2006, the Group increased its investment in Barking Power Limited to 18.586% for consideration of £8.9m. Barking Power Limited will continue to be accounted for as an associate.

Note 34 sets out the impact of certain post balance sheet events on the contingent liabilities of the Group.

44. Parent undertaking and controlling party

EDF Energy Group Holdings plc holds a 100% interest in EDF Energy plc and is considered to be the immediate parent company.

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