EDF ENERGY PLC

Registered Number 2366852

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006

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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 2006

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

The profit for the year, before taxation, amounted to £420 8m (2005 £424 0m) and after taxation and contributions from associates to £342 1m (2005 £293 0m) Dividends paid during the year amounted to £105 0m (2005 £96 0m)

EDF Energy plc and subsidiaries operates through four main divisions or branches These are Customer and Energy, Regulated Networks, Other Networks and Corporate The principal activities of these branches continued to be,

- Customer and Energy, 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 and the generation of electricity
- Regulated Networks, the operation of public distribution networks
- Other Networks, the operation of private distribution networks and PFI contracts

The Group will continue in these activities for the foreseeable future

A summary of the key financial results are set out in the table below and are discussed in this section Further detail of the results of the segments can be found in the segmental reporting note (note 5)

	Revenue		Operating Profit	
	2006	2005	**2006**	2005
	£m	£m	**£m**	£m
Customer and Energy	**4,639.9**	3,674 8	**54.1**	186 3
Regulated Networks	**982 0**	880 8	**484 1**	415 0
Other Networks	**369.0**	295 7	**9.4**	(4 9)
Other and eliminations	**(302.0)**	(273 8)	**46.1**	21 3
Group	**5,688.9**	4,577 5	**593 7**	617 7

Customer and Energy

The Group has continued to grow its customer base despite a highly competitive market, increasing its customer product numbers by 9% to 5,465,000, a net gain of 445,000 in the year In June 2006 EDF Energy launched its new brand logo and began to use the EDF Energy brand across all of its customer product accounts, replacing the London Energy, Seeboard Energy and SWEB Energy names it had previously used regionally

DIRECTORS' REPORT continued

2006 was the warmest year on record and the weather included some notable volatility At times this volatility had a dramatic effect on the customer demand for electricity and gas and on wholesale energy prices
Due to this volatility, the operating profit in Customer and Energy fell from £186 3m to £54 1m in 2006

A significant part of this decrease was due to fair value adjustments and certain re-measurements when applying International Accounting Standards 32 and 39 ("IAS32/39") to the Group's portfolio of power, gas and other contracts Excluding the effect of IAS 32/39 operating profit fell from £150 9m to £117 0m (a decrease of 22 5%)

The branch is expected to continue to experience a tough environment in 2007, with competition as high as ever

Regulated Networks

Regulated Networks maintain and operate public electricity networks within the South East, East and London areas The networks are highly regulated by the Office for Gas and Electricity Markets ("OFGEM") Through the Distribution Price Control Mechanism OFGEM sets the tariffs that are allowed to be charged during the period that a license is granted

In 2006 Regulated Networks were able to increase profits due to allowable tariff increases Profit increased from £415 0m to £484 1m Profit was also increased due to greater efficiency within the branch and a concerted effort to reduce operating costs

Regulated Networks have to ensure there is a significant amount of investment in the network within the year Capital expenditure within the branch fell from £532 7m to £500 6m within the year

Other Networks

Other Networks construct, maintain and operate a number of private networks including Heathrow Terminal five and the Channel Tunnel Rail Link These are long term contracts which are progressing at a fairly constant rate year on year

Also accounted for within Other Networks is the Group's share of the results of Metronet BCV Limited and Metronet SSL Limited (together "Metronet") Metronet is an associate which is responsible for the upgrade of the London Underground Network The Group has a 20% share in the company

During 2006, Trans4m Limited undertook a detailed cost review which indicated that the Period One (2003 – 2010) contract costs could be significantly higher than originally anticipated Under the contract, the project sponsors are able to recover part or whole of cost overruns from the client, London Underground Limited, subject to the arbiter, whose duties are defined by contract, deeming through an Extraordinary Review of the contract that the work carried out by Metronet has been done in an economic and efficient manner

To date, the initial view of the arbiter on the first three years of the contracts indicates that Metronet is likely to be considered non-economic and inefficient in some areas of the contract

To reflect the significant uncertainty at 31 December 2006 over the contract and the value of the equity invested, an impairment of £50m has been recorded against the carrying value of the investment in Metronet held by EDF Energy The provision is accounted for within the loss from associates (see note 22)

DIRECTORS' REPORT Continued

Long term strategy and business objectives

In 2004 the Group launched its goals to achieve its five ambitions for the future During 2005 these ambitions were allocated Key Performance Indicators ("KPI"s) to measure how the Group was performing against the ambition The ambitions were initially to run until 2007 at which point they will be reviewed and updated The five key ambitions of the Group are

- "We want to *care* more for our customers and continually improve customer experience"
  - Measured through independent monthly surveys giving annual average % of our major business customers and mass market customers (across distribution, supply and contracting businesses) who are satisfied with the service they receive

- "We want to be known as a learning business and a *great place to work* so that our employees can be proud of their company"
  - Measured through an independent annual survey giving % of our employees satisfied with EDF Energy as an employer

- "We want to meet our *shareholders expectations* and grow the value of our existing business"
  - The measures of this are focused on net income and earnings before interest, tax, depreciation and amortisation (EBITDA)

- "We want to be a *safe and responsible* company regarding our people, the environment, and the community we serve"
  - Measured through an internal index focusing on our effectiveness in managing the identification and control of risk training, involvement and audit, incidents, hazards and actions This is known as the Health and Safety Executive ("HSE") management index

- "We want to be recognised as a leading and respected *point of reference* on matters concerning our business"
  - This is to be assessed through the Group's position on the Business in the Community ("BiTC") Corporate Responsibility index which is an independent assessment by Business in the Community of our ranking in their Corporate Responsibility Index of participating UK companies

The results for 2006 and 2005 were,

Ambition	Measure	2006 Actual	2005 Actual	Movement year on year
Care more for our customers	Mass Market	74 4%	n/a	n/a
	Major Business	64 3%	n/a	n/a
Great place to work	Employee Satisfaction	73 2%	69 4%	3 8%
Shareholders expectation	Net Income	£342 1m	£293 0m	£49 1m
	EBITDA	£891 9m	£907 9m	£(16 0)m
Safe and Responsible	HSE management index	77 3%	62 9%	14 4%
Point of Reference	BiTC Corporate Responsibility index	29th	49th	20 places

Future Developments

At the end of 2006 the Group announced that the Other Networks Branch would be brought together with the Regulated Networks business The Directors expect to see synergies from this consolidation of the business

DIRECTORS' REPORT Continued

Principal Risks and Uncertainties

The following reflects the key risks facing the Group They can be split into two main areas, margin risk and the risks arising as a result of the Group's use of financial instruments This financial instrument risk can be further divided into risk from interest rates, foreign currency and commodity risk A discussion of the risks together with a summary of the Group's approach to managing those risks is as follows The accounting basis for dealing with these risks is discussed in the accounting policy section below

Margin risk
Margin price risk arises from the requirement to purchase EU carbon emissions certificates, and from 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 and EU emissions certificates 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' REPORT Continued

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

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

There were qualifying third party indemnity provisions in place for the benefit of one or more Directors of the Company during the financial year or at the date of approval of the financial statements

Political and charitable contributions

During the year, the Group made various charitable contributions totalling £2,370,505 (2005 £615,916) and no political contributions (2005 £nil)

Creditors payment policy

The Group'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, and
- pay in accordance with its contractual and other legal obligations

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception At 31 December 2006, the Group had an average of 58 days (2005 74 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

DIRECTORS' REPORT Continued

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

Auditors

Each of the persons who is a Director at the date of approval of this report confirms that

1 so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

2 the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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

Thibaut Brac de la Perriere
Company Secretary
24 May 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation The Directors are required by IAS Regulation 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

REPORT ON CORPORATE GOVERNANCE

EDF Energy plc is a wholly owned subsidiary of EDF SA EDF SA, which, being a company listed on the Paris Stock Exchange, is required to comply with the Loi de Sécurité Financière (LSF) The LSF requires the Chairman of EDF SA to provide in the annual report a description of the internal controls in the EDF Group and to provide an opinion on their effectiveness

The Group has adopted the EDF Group Internal Control and Audit Policy which provides for

- Management responsibility for Internal Control,
- a requirement to describe the systems of Internal Control,
- Management to provide assurances on the effectiveness of the systems of Internal Control,
- the requirement for remediation plans where the systems of Internal Control are assessed as not providing the assurances required, and
- independent verification of the assurance process

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 at Group level,
- promote a consistent and comprehensive approach to Risk Management throughout EDF Energy, 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 EDF Energy, 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

Risk Management guidelines have also 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

During 2006 the Board conducted a self assessment of the systems of Internal Control in EDF Energy This assessment enabled the Board to describe the systems of internal control of the UK entities and to identify areas where attention is required to improve business performance and effectiveness

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

Control environment

The Group is committed to the highest standard of business conduct The Group is appropriately structured according to business areas This allows for effective operations to achieve the Group's objectives Lines of responsibility and levels of authority are formally documented The Group Executive Committee comprises the Group Chief Executive Officer, Branch Chief Operating Officers and Corporate Directors This Committee defines authorities given to individual officers of the Group The Committee also approves the five year medium term plan and budget which is the basis on which the objectives of the business are agreed and delegated

REPORT ON CORPORATE GOVERNANCE continued

Risk identification and control

The Director of Governance and Group Synergies is responsible for maintaining an oversight of Group systems of Internal Control and risk management, working closely with the branches and other corporate functions to ensure that their 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

The relationship between Internal Audit and Risk Assurance requires Risk Assurance to be primarily responsible for ensuring the identification of risks and their mitigation and Internal Audit to be independently 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 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 This Committee approves individual projects within the medium term plan and approves the award of contracts either directly or by delegated authority within agreed limits

Information and communication

The performance management cycle is based upon a balanced scorecard approach, the scorecard translates the company ambitions into key measures required to achieve sustainable value Company measures are cascaded to Branch and Corporate functions and each branch translates the branch measures into team or sub-branch measures with appropriate tracking mechanisms For each performance measure there are agreed targets

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

Internal communication to employees concerning employee duties are communicated through job descriptions, their personal performance is evaluated through the Coaching for Performance Each employee's bonus is a reflection of both the company and their own department's performance, and is provided to employees via the Intranet on a monthly basis

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 internal 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 representing finance, risk and audit from EDF S A

REPORT ON CORPORATE GOVERNANCE continued

The Group 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 Where appropriate businesses are required to identify the actions required and ensure that the risks are adequately managed

Internal Audit reviews the operation of internal controls using a risk-based methodology and 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

Effectiveness review

The Group is continuously making improvements to the system of internal control The revised EDF Group Internal Control and Audit Policy requires, inter alia, that as from the end of 2007 the Chief Executive Officer of EDF Energy provides an annual report to the Chairman of EDF SA of the quality of the internal control system

As a result of the 2006 self assessment of the systems of Internal Control in EDF Energy, areas where attention is required to improve business performance and effectiveness were identified A programme of work is underway to bring about these improvements

The relationship between Internal Audit and Management requires Management to be primarily responsible for ensuring that the systems of internal control are implemented and operated to such an extent as to provide reasonable assurance that the objectives of the business will be met or that the risks or threats to the business are mitigated Internal Audit is independently responsible for review of the mechanisms that provide assurance and for providing advice and guidance to management on the appropriateness of Internal Control mechanisms and systems

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 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 45 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 by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant 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 and have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the Annual Report

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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

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

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2006 and of its profit for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2006,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

24 May 2007

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £m	Restated 2005 £m
Continuing operations			
Revenue	6	**5,688.9**	4,577 5
Fuel and energy purchases	8	**(3,343.3)**	(2,478 9)
(Losses)/gains on derivative contracts	7	**(62.9)**	35 4
Gross margin		**2,282.7**	2,134 0
Other operating expenses		**(1,036.0)**	(880 9)
Other operating income	6	**22.7**	37 1
Personnel expenses	10	**(377.5)**	(382 3)
Profit before depreciation, amortisation, tax and finance costs		**891.9**	907 9
Depreciation and amortisation	7	**(298 2)**	(290 2)
Operating profit		**593 7**	617 7
Investment revenue	6, 12	**73.4**	54 8
Finance costs	13	**(246.3)**	(248 5)
Profit before taxation		**420.8**	424 0
Taxation	14	**(58.1)**	(154 6)
Profit after taxation		**362.7**	269 4
Share of (losses)/profits of associates	22	**(20 6)**	23 6
Profit for the financial year		**342.1**	293 0
Attributable to			
Equity holders of the parent	40	**341.9**	292 8
Minority interests	35	**0.2**	0 2
		342.1	293 0

BALANCE SHEETS
AT 31 DECEMBER 2006

		Group		Company	
			Restated		
		2006	2005	**2006**	2005
	Notes	**£m**	£m	**£m**	£m
Non-current					
Goodwill	16	**1,260.8**	1,257 3	**0.6**	-
Other intangible assets	18	**273.7**	174 5	**176.3**	129 0
Property, plant and equipment	19	**6,750.3**	6,415 7	**45.0**	42 6
Investments in subsidiary undertakings	21	**-**	-	**2,416.1**	2,298 1
Investments in associates	22	**52.9**	55 5	**-**	-
Long term receivables	24	**26.1**	15 6	**2.5**	3 8
Derivatives and other financial instruments	32	**87.4**	248 7	**86.5**	248 7
Finance lease receivables	25	**332.0**	299 2	**-**	-
Deferred tax asset	34	**-**	-	**244.8**	-
		8,783.2	8,466 5	**2,971.8**	2,722 2
Current assets					
Inventories	26	**275.7**	148 3	**209.3**	104 5
Trade and other receivables	27	**1,695.0**	1,361 7	**1,994.3**	806 2
Cash and cash equivalents	29	**166.3**	166 1	**-**	8 6
Derivatives and other financial instruments	32	**254.7**	325 2	**254.7**	325 2
Finance lease receivables	25	**47.3**	44 3	**-**	-
		2,439 0	2,045 6	**2,458.3**	1,244 5
Non-current assets classified as held for sale	20	**2.1**	13 6	**-**	3 6
Total assets		**11,224.3**	10,525 7	**5,430.1**	3,970 3
Current liabilities					
Current tax liabilities		**(37.1)**	(22 5)	**-**	-
Obligations under finance lease	36	**(12.5)**	(11 5)	**-**	-
Interest bearing liabilities	31	**(1,706.5)**	(1,473 4)	**(1,709.7)**	(670 8)
Derivatives and other financial instruments	32	**(839.9)**	(74 0)	**(838 0)**	(55 6)
Short term provisions	33	**(237.8)**	(155 4)	**(12.5)**	(16 0)
Other liabilities	30	**(1,700.8)**	(1,432 0)	**(1,327.2)**	(947 0)
		(4,534.6)	(3,168 8)	**(3,887.4)**	(1,689 4)
Non-current liabilities					
Obligations under finance lease	36	**(323.7)**	(337 7)	**-**	-
Interest bearing liabilities	31	**(2,199.1)**	(2,225 0)	**(336.9)**	(343 6)
Deferred tax liability	34	**(646.8)**	(946 9)	**-**	(133 0)
Long term provisions	33	**(75.4)**	(110 7)	**(2.6)**	(4 5)
Post employment benefits provision	43	**(257.2)**	(314 5)	**(17.1)**	(19 4)
Other liabilities	30	**(1,202.3)**	(1,100 9)	**-**	-
Derivatives and other financial instruments	32	**(328.0)**	(96 5)	**(295.6)**	(72 4)
		(5,032 5)	(5,132 2)	**(652 2)**	(572 9)
Total liabilities		**(9,567.1)**	(8,301 0)	**(4,539.6)**	(2,262 3)
Net assets		**1,657.2**	2,224 7	**890.5**	1,708 0

BALANCE SHEETS continued
AT 31 DECEMBER 2006

		GROUP		COMPANY	
			Restated		
		2006	2005	**2006**	2005
	Notes	**£m**	£m	**£m**	£m
Equity					
Share capital	*38*	**1,296.6**	1,296 6	**1,296.6**	1,296 6
Share premium account	*39*	**13.9**	13 9	**13.9**	13 9
Capital reserves	*39*	**21.6**	21 6	**13.1**	13 1
Hedging reserve	*41*	**(545.1)**	259 6	**(528.4)**	289 8
Retained earnings	*40*	**867.7**	630 8	**95.3**	94 6
Equity attributable to equity holders of the parent		**1,654 7**	2,222 5	**890.5**	1,708 0
Minority interest	*35*	**2.5**	2 2	-	-
Total equity		**1,657.2**	2,224 7	**890.5**	1,708 0

The accounts on pages 14 to 81 were approved by the Board of Directors on 24th May 2007 and were signed on its behalf by

Vincent de Rivaz
Director

Humphrey A E Cadoux-Hudson
Director

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

		GROUP		COMPANY	
			Restated		
	Notes	2006 £m	2005 £m	2006 £m	2005 £m
Net cash from operating activities	42	**641.2**	523 8	**(908.5)**	(84 1)
Investing activities					
Purchase of property, plant and equipment		**(616.3)**	(626 8)	**(12.2)**	(24 4)
Purchase of intangible assets		**(25.5)**	-	**(2.9)**	-
Receipts of customer contribution		**137.6**	139 3	-	-
Proceeds from sale of property, plant and equipment		**36.4**	34 1	**27.1**	25 5
Proceeds from sale of intangible assets		-	-	**46.3**	-
Payments to increase share of associates		**(11.9)**	(14 7)	-	-
Increase in long term receivables		**(10.5)**	-	**1.3**	-
Interest element of finance lease rental payments		**(22.1)**	(23 2)	-	-
Dividends received from investments		-	-	**30.0**	206 0
Interest received		**46.4**	42 7	**93.6**	79 0
Change in financial asset		**(35.8)**	(39 7)	-	-
Net cash (used in)/from investing activities		**(501.7)**	(488 3)	**183.2**	286 1
Financing activities					
Dividends paid to equity holders of the parent		**(105.0)**	(96 0)	**(105.0)**	(96 0)
Repayment of obligations under finance leases		**(13.0)**	(12 3)	-	-
Proceeds from borrowings		**473 0**	485 2	**548.8**	287 1
Repayment of borrowings		**(258.3)**	(216 0)	-	-
Issuance of intra-group loans		-	-	**(118.0)**	-
Interest paid		**(236.0)**	(220 0)	**(99.2)**	(78 0)
Net cash (used in)/from financing activities		**(139.3)**	(59 1)	**226.6**	113 1
Net (decrease)/ increase in cash and cash equivalents		**0.2**	(23 6)	**(498.7)**	315 1
Cash and cash equivalents at 1 January		**166.1**	189 7	**(15.7)**	(330 8)
Cash and cash equivalents at 31 December	29, 31	**166.3**	166 1	**(514.4)**	(15 7)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £m	Share Premium £m	Capital Reserves £m	Hedging Reserve £m	Retained Earnings £m	Minority Interest £m	Total equity £m
At 1 January 2005	**1,296.6**	**13.9**	**11.0**	**(4.4)**	**413.1**	**2.0**	**1,732.2**
Adoption of IFRIC4	-	-	-	-	20 9	-	20 9
Restated at 1 January 2005	**1,296.6**	**13.9**	**11.0**	**(4.4)**	**434.0**	**2.0**	**1,753.1**
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	-	-	-	-	292 8	0 2	**293.0**
Equity dividends	-	-	-	-	(96 0)	-	**(96.0)**
At 1 January 2006	**1,296.6**	**13.9**	**21.6**	**259 6**	**630.8**	**2.2**	**2,224.7**
Net losses on cash flow hedges	-	-	-	(1,153 4)	-	-	**(1,153.4)**
Deferred taxation on net losses on cash flow hedges	-	-	-	348 7	-	-	**348.7**
Total income for the year recognised directly in equity	-	-	-	(804 7)	-	-	**(804.7)**
Profit for the year	-	-	-	-	341 9	0 2	**342.1**
Total income for the year	**-**	**-**	**-**	**-**	**341.9**	**0.2**	**342 1**
Additions	-	-	-	-	-	0 1	**0.1**
Equity dividends	-	-	-	-	(105 0)	-	**(105 0)**
At 31 December 2006	**1,296.6**	**13.9**	**21.6**	**(545.1)**	**867 7**	**2.5**	**1,657.2**

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital £m	Share Premium £m	Capital Reserves £m	Hedging Reserve £m	Retained Earnings £m	Total equity £m
At 1 January 2005	**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**
Equity dividends	-	-	-	-	(96 0)	**(96.0)**
At 1 January 2006	**1,296.6**	**13.9**	**13.1**	**289 8**	**94.6**	**1,708.0**
Net losses on cash flow hedges	-	-	-	(1,168 8)	-	(1,168 8)
Deferred taxation on net losses on cash flow hedges	-	-	-	350 6	-	350 6
Total income for the year recognised directly in equity	-	-	-	(818 2)	-	**(818.2)**
Profit for the year	-	-	-	-	105 7	**105.7**
Equity dividends	-	-	-	-	(105 0)	**(105.0)**
At 31 December 2006	**1,296.6**	**13.9**	**13.1**	**(528 4)**	**95.3**	**890.5**

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 their principal activities are set out in note 5 and in the Directors' Report on pages 2 – 7

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

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

- IFRS 7 Financial Instruments Disclosures
- IFRS 8 Operating Segments
- 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 10 Interim Financial Reporting and Impairment
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, except to provide some additional disclosure

2. Changes in accounting policies and reclassifications

Impact of application of IFRIC4

The interpretation IFRIC4, "Determining whether an arrangement contains a lease", became effective on 1 January 2006 This interpretation concerns the identification of agreements that convey the right to use an asset or group of specific assets to the purchaser, although they do not have the legal form of a lease contract, in that the purchaser in the arrangement benefits from a substantial share of the asset's production and payment is not dependent on production or market price Such agreements are accounted for as leases in accordance with IAS17

Application of IFRIC4 is considered a change in accounting policy, and the comparative information has been restated accordingly The resulting impact on Group equity at 1 January 2005 is £22 1m

Reclassifications

In 2006, the Group has decided to separately disclose its losses/gains arising from derivative financial instruments on the face of the income statement, rather than in fuel and energy purchases as in 2005 The comparative information has also been reclassified as a result of this change in disclosure

In 2005, the Group disclosed provision releases related to energy contracts within administrative expenses rather than within fuel and energy purchases It has been decided to reclassify these releases to fuel and energy purchases and the comparative information has been restated accordingly This has led to an increase in gross margin of £30 3m but no impact on overall operating profit in 2005

In 2005, the Group included all deferred income within current liabilities, however it has been decided to split deferred income to show its current and non-current split The 2005 comparative information has been restated accordingly

NOTES TO THE FINANCIAL STATEMENTS continued

2. Changes in accounting policies and reclassifications continued

In 2005, the Group included all derivative and financial assets and liabilities within current assets and liabilities The 2005 comparative information has been reclassified to analyse the derivatives and financial instruments split between current and non-current assets or liabilities

In 2005, the Group excluded short term deposits from its cash and cash equivalents per the cash flow statement It has been decided to include them in the cash flow statement to ensure that the cash and cash equivalents is consistent between the cash flow statement and the balance sheet

Group balance sheet	2005 as reported £m	IFRIC4 impact £m	Deferred income £m	IAS 39 £m	2005 restated £m
Non-current assets	8,244 3	(12 9)	-	248 7	**8,480.1**
Current assets	2,259 3	35 0	-	(248 7)	**2,045.6**
Total assets	10,503 6	22 1	-	-	**10,525.7**
Current liabilities	4,373 0	(6 8)	(1,100 9)	(96 5)	**3,168.8**
Non current liabilities	3,928 0	6 8	1,100 9	96 5	**5,132.2**
Total liabilities	8,301 0	-	-	-	**8,301 0**
Net assets	2,202 6	22 1	-	-	**2,224.7**

Group Income Statement	2005 as reported £m	IFRIC4 impact £m	2005 as restated £m
Revenue	4,574 6	2 9	**4,577.5**
Expenses	(4,144 1)	(9 4)	**(4,153.5)**
Profit before tax	430 5	(6 5)	**424.0**
Tax	(156 6)	2 0	**(154 6)**
Share of profit of associates	17 9	5 7	**23.6**
Minority interest	(0 2)	-	**(0.2)**
Total profit transferred to retained earnings	291 6	1 2	**292.8**

NOTES TO THE FINANCIAL STATEMENTS continued

2. Changes in accounting policies and reclassifications continued

Group Cash Flows	2005 as reported £m	IFRIC4 impact £m	Short term deposits £m	2005 as restated £m
Profit before taxation	430 5	(6 5)	-	424 0
Net cash from operating activities	561 9	(38 1)	-	523 8
Net cash used in investing activities	(495 8)	7 5	-	(488 3)
Net cash used in financing activities	(20 3)	30 4	(69 2)	(59 1)
Total cash movements in the year	45 8	-	(69 2)	(23 6)
Cash and cash equivalents at 1 January	83 0	-	106 7	189 7
Cash and cash equivalents at 31 December	128 8	-	37 3	166 1

3. 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 2006 and endorsed by the EU (IFRS)

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

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 £105 7m before dividends paid (2005 £181 0m)

NOTES TO THE FINANCIAL STATEMENTS continued

3. Significant accounting policies continued

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 that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, 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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the profit or loss

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised

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 against 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

NOTES TO THE FINANCIAL STATEMENTS continued

3. Significant accounting policies continued

Interest in joint ventures

The Group's interests 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

Other intangible assets

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

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 rate on 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

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see below for details of the Group's accounting policies in respect of such derivative financial instruments)

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 gas and electricity distribution includes an estimate of the sales value of units and volume 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

NOTES TO THE FINANCIAL STATEMENTS continued

3. Significant accounting policies continued

Revenue from long term 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

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 The cost of raw materials, consumables and goods for resale is calculated using the weighted average cost basis Work-in-progress and finished goods are valued using the cost of direct materials and labour plus attributable overheads based on a normal level of activity Net realisable value represents the estimated selling price less any further costs expected to be incurred in completion and disposal

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

NOTES TO THE FINANCIAL STATEMENTS continued

3. 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 exceeds 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 assets are surrendered at the end of the compliance period reflecting the consumption of economic benefit As a result no amortisation is recorded during the period

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

Arrangements containing a lease

In compliance with interpretation IFRIC 4, the Group identifies agreements that convey the right to use an asset or group of specific assets to the purchaser although they do not have the legal form of a lease contract, in that the purchaser in the arrangement benefits from a substantial share of the asset's production and payment in not dependent on production or market price

Such arrangements are treated as leases, and analysed with reference to IAS 17 for classification as either operating or finance leases

Leases

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

3. Significant accounting policies continued

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income Lease income is recognised over the term of the lease, on a straight-line basis, using the net investment method, which recognises a constant periodic rate of return When assets are leased out under an operating lease, assets are carried on the balance sheet based on the nature of the asset

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 the tax expected to be payable or recoverable 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 it 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

Deferred tax is measured on an undiscounted basis

NOTES TO THE FINANCIAL STATEMENTS continued

3. Significant accounting policies continued

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 scheme 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

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 on an accrual basis and recognised over the life of the instrument

Trade payables

Trade payables are measured at fair value

NOTES TO THE FINANCIAL STATEMENTS continued

3. Significant accounting policies continued

Financial instruments continued

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

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

The Group classifies hedges in the following categories

Fair value hedges

These instruments hedge the exposure to changes in the fair value of an asset or liability recorded in the balance sheet, or a firm commitment to purchase or sell an asset Changes in the fair value of the hedged item attributable to the hedged component of that item are recorded in the income statement and offset by corresponding variations in the fair value of the hedging instrument Only the ineffective portion of the hedge has an impact on income

Cash flow hedges

These instruments hedge highly probable future transactions, the variability in cash flows generated by the hedged transaction is offset by changes in the value of the hedging instrument The effective portion of accumulated changes in the hedge's fair value is recorded in equity, and the ineffective portion (i e changes in the fair value of the hedging instrument in excess of changes in the fair value of the item) is recorded in the income statement When the hedged cash flows materialise, the amounts previously recognised in equity are transferred to the income statement in the same way as for the hedged item

NOTES TO THE FINANCIAL STATEMENTS continued

3. Significant accounting policies continued

Financial instruments continued

Derivatives and other financial instruments and hedge accounting

Hedge accounting is discontinued when the hedging instrument is sold, terminated, exercised or no longer qualifies as a 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

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 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

4. 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

NOTES TO THE FINANCIAL STATEMENTS continued

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

Provisions

Provisions for liabilities 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 formulae derived from actual experience

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 are 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 33

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 43

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 17

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 32

Energy delivery not yet metered

The unbilled revenue representing quantities of energy delivered but not billed is calculated at the reporting date based on consumption statistics and selling price estimates These statistics and estimates are sensitive to the assumptions used in determining the portion of sales not billed at the reporting date

Financial lease models

During the year, the Group has adopted IFRIC4 and as a result, has started to account for some long term contracts as financial lease arrangements In order to evaluate these arrangements, detailed financial models have been drawn up, which include specific assumptions regarding margins on construction, operating costs and maintenance expenditure, as well as forecast capital expenditure, interest rates and inflation rates Any changes in these assumptions would impact upon the profit recognition within the lease models

NOTES TO THE FINANCIAL STATEMENTS continued

5. 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

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

Other Networks Branch Operation, maintenance and expansion of private electrical distribution systems

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

5. Segment information continued

Group Segmental Analysis 31 December 2006:

Year ended 31 December 2006	Regulated Networks	Other Networks	Customer and Energy	Other	Total Operations
	£m	£m	£m	£m	£m
Revenue					
Sales to external customers	697 2	362 2	4,621 2	8 3	**5,688.9**
Inter-segment sales	284 8	6 8	18 7	(310 3)	-
Segment revenue	982 0	369 0	4,639 9	(302 0)	**5,688 9**
Result					
Operating profit	484 1	9 4	54 1	46 1	**593.7**
Investment revenue					**73.4**
Finance costs					**(246.3)**
Profit before taxation					**420.8**
Taxation					**(58.1)**
Share of profit of associates					**(20.6)**
Profit for the year from operations					**342.1**

Inter-segment sales are charged at prevailing market prices

	Regulated Networks	Other Networks	Customer and Energy	Other	Total Operations
Assets and liabilities					
Segment assets	5,716 6	551 7	3,680 9	1,222 2	**11,171.4**
Investment in associates	-	29 6	23 3	-	**52.9**
Total assets	5,716 6	581 3	3,704 2	1,222 2	**11,224.3**
Segment liabilities	4,129 9	307 2	4,099 0	384 2	**8,920 3**
Unallocated liabilities	-	-	-	646 8	**646.8**
Total liabilities	4,129 9	307 2	4,099 0	1,031 0	**9,567 1**
Other segment information					
Capital expenditure					
Tangible and intangible fixed assets	532 7	15 1	234 5	11 8	**794.1**
Depreciation	164 6	2 3	86 3	23 6	**276.8**
Amortisation	-	0 2	18 7	2 5	**21.4**

NOTES TO THE FINANCIAL STATEMENTS continued

5. Segment information continued

Group Segmental Analysis 31 December 2005.

Year ended 31 December 2005	Regulated Networks £m	Other Networks £m	Customer and Energy £m	Other £m	Total Operations £m
Revenue					
Sales to external customers	612 6	283 0	3,660 1	21 8	**4,577.5**
Inter-segment sales	268 2	12 7	14 7	(295 6)	-
Segment revenue	880 8	295 7	3,674 8	(273 8)	**4,577.5**
Result					
Operating profit	415 0	(4 9)	186 3	21 3	**617.7**
Investment revenue					**54.8**
Finance costs					**(248.5)**
Profit before taxation					**424.0**
Taxation					**(154.6)**
Share of profit of associates					**23.6**
Profit for the year from operations					**293.0**

Inter-segment sales are charged at prevailing market prices

Assets and liabilities					
Segment assets	5,268 0	418 6	2,988 1	1,795 5	**10,470 2**
Investment in associates	-	48 9	23 3	(16 7)	**55 5**
Total assets	5,268 0	467 5	3,011 4	1,778 8	**10,525.7**
Segment liabilities	3,968 4	283 4	2,603 9	498 4	**7,354.1**
Unallocated liabilities	-	-	-	946 9	**946 9**
Total liabilities	3,968 4	283 4	2,603 9	1,445 3	**8,301.0**
Other segment information					
Capital expenditure					
Tangible and intangible fixed assets	500 6	0 1	94 5	95 1	**690.3**
Depreciation	154 6	1 8	77 8	37 3	**271.5**
Amortisation	0 2	0 5	16 1	1 9	**18.7**

The 2005 segmental note has been restated due to the allocation of the pension deficit across the Group in 2006 The allocation of the deficit was based on past service of all members (past and current) of the schemes, dependant on their area of work

NOTES TO THE FINANCIAL STATEMENTS

6. Revenue

An analysis of the Group's revenue is as follows

	Year ended 2006 £m	Year ended 2005 £m
Sales of goods and services	**5,566 0**	4,493 5
Revenue from long term contracts	**106.2**	69 1
Property rental income	**6.9**	5 1
Miscellaneous revenue	**9.8**	9 8
	5,688.9	4,577 5
Other operating income	**22.7**	37 1
Investment revenue (note 12)	**73 4**	54 8
Total revenue	**5,785.0**	4,669 4

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

7. Profit for the year

Profit for the year has been arrived at after charging/(crediting)	**2006 £m**	2005 £m
Net foreign exchange gains	**(0.3)**	(1 0)
Research and development costs	**4.1**	3 8
Depreciation of property, plant and equipment (note 19)	**276.8**	271 5
Amortisation of intangible assets (note 18)	**21.4**	18 7
Staff costs (see note 10)	**377.5**	382 3
Auditors' remuneration for audit services	**0.9**	0 9
Auditors' remuneration for non-audit services (see note 7 below)	**0.7**	0 6
Cost of inventories recognised as expense	**454.3**	303 2
Fair valuation of derivative contracts (note 32)	**62.9**	(35 4)
Operating lease rentals	**37.4**	36 1
Bad debt provision	**6.9**	(12 6)

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

The analysis of auditors' remuneration is as follows

	2006 £m	2005 £m
Fees payable to the Company's auditors for the audit of the Company's and Group accounts	**0.1**	0 1
The audit of the Company's subsidiaries pursuant to legislation	**0.8**	0 8
Total audit fees	**0.9**	0 9
Other services	**0.3**	0 4
Non-statutory interim review	**0.1**	0 1
Tax services	**0.2**	0 1
Other services pursuant to legislation	**0.1**	-
Total non-audit fees	**0.7**	0 6

Fees payable to Deloitte & Touche LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis

NOTES TO THE FINANCIAL STATEMENTS continued

8. Fuel and energy purchases

	2006 £m	2005 £m
Purchase of energy	**2,742.9**	2,020 8
Distribution and transmission	**546.1**	434 9
Carbon certificates	**83.3**	64 5
Release of provisions	**(29.0)**	(41 3)
Total fuel and energy purchases	**3,343.3**	2,478 9

9. Directors' emoluments

	2006 £m	2005 £m
Emoluments	**1.1**	1 0

	2006 Number	2005 Number
Members of defined benefit pension scheme	**1**	1

Emoluments payable to the highest paid director were as follows	2006 £m	2005 £m
Aggregate emoluments	**0.7**	0 6

10. Staff costs

Staff costs arising in the year, including directors' emoluments were as follows

GROUP	2006 £m	2005 £m
Wages and salaries	**348.6**	337 2
Social security costs	**32.3**	29 0
Other pension costs	**53.9**	59 2
Share scheme	**-**	14 9
Less capitalised costs	**(57.3)**	(58 0)
	377.5	382 3

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

	2006 Number	2005 Number
Regulated Networks branch	**3,491**	3,592
Customer and Energy branch	**5,706**	5,318
Other Networks branch	**1,432**	1,305
Others	**890**	696
	11,519	10,911

NOTES TO THE FINANCIAL STATEMENTS continued

10. Staff costs continued

COMPANY	2006 £m	2005 £m
Wages and salaries	**55.2**	32 6
Social security costs	**7.1**	4 6
Other pension costs	**10.9**	12 6
Share scheme	-	2 9
	73.2	52 7

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

	2006 Number	2005 Number
Management	**308**	304
Other staff	**999**	952
	1,307	1,256

11 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

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 6m and was entirely recorded in 2005, in accordance with IFRS 2, as these benefits vest immediately The corresponding Company expense was £2 1m These amounts were funded by EDF and therefore are reflected as a capital contribution in the Group accounts See note 39

The additional contribution made by EDF Energy to the benefit of employees across the Group in connection with this share offering amounted to £4 3m (£0 8m of this related to employees of the Company)

There has been no offering of shares to employees of the Group or Company in 2006

12. Investment revenue

	2006 £m	Restated 2005 £m
Interest on bank deposits	**17.4**	11 3
Income from investments	**1.7**	0 6
Dividends from equity accounted investments	-	0 4
Pension scheme interest	**27.0**	12 0
Finance income receivable under finance leases	**24.9**	30 5
Other finance income	**2.4**	-
Total investment revenue	**73.4**	54 8

NOTES TO THE FINANCIAL STATEMENTS continued

13 Finance costs

	2006 £m	2005 £m
Interest on bank loans and overdrafts	48.9	33 2
Interest on bonds	134.6	152 7
Interest on other loans	34.2	32 8
Finance charges payable under finance leases	22.0	23 2
Unwinding of discount on provisions	6.6	6 6
Total borrowing costs	246.3	248 5

14. Tax on profit on ordinary activities

Analysis of tax charge in the year

Current tax

	2006 £m	Restated 2005 £m
UK corporation tax	98.5	78 7
Adjustments in respect of current income tax of previous years	(90 5)	4 6
Total current tax expense	8.0	83 3

Deferred tax (note 34)

	2006 £m	Restated 2005 £m
Current year	32 5	55 0
Adjustment in respect of previous years	17.6	16 3
Total deferred tax charge	50.1	71 3
Income tax expense reported in income statement (note 14(b))	58.1	154 6

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

	2006 £m	2005 £m
Profit before tax	420.8	424 0
Tax at the UK Corporation tax rate of 30% (2005 30%)	126.2	127 2
Effect of		
Non-deductible expenses and non-taxable income	4.8	6 5
Adjustment to prior year corporation tax charge	(90 5)	4 6
Adjustment to prior year deferred tax charge	17.6	16 3
Income tax expense reported in income statement	58.1	154 6

NOTES TO THE FINANCIAL STATEMENTS continued

14. Tax on profit on ordinary activities continued

For a number of years there have been discussions regarding the tax treatment of payments made under the Teesside power purchase agreement These discussions concluded this year and the tax treatment was agreed with Her Majesty's Revenue and Customs ("HMRC") A significant proportion of the prior year tax credit related to the release of the excess Teesside tax provision which was over and above that agreed with the HMRC

In the current year a deferred tax credit of £348 7m (2005 charge of £116 9m) has been recognised in equity which relates to losses arising on derivative instruments which have been included as cash flow hedges under IAS39 See note 41

On 21 March 2007, proposals were announced in the UK budget for the reform of tax allowances available for capital expenditure These changes are likely to affect the tax position of the Group going forward, although the likely impact of this has not yet been quantified

15. Dividends

	2006 £m	2005 £m
Amounts recognised as distributions to equity holders in the period		
Final dividend paid	**105.0**	96 0
	105.0	96 0

The final dividend per share in 2006 for the Group and the Company was 4 72p per share (2005 4 32p)

16. Goodwill

GROUP	£m
Cost	
At 1 January 2005 and 1 January 2006	1,257 3
Recognised on acquisition of trade	3 5
At 31 December 2006	**1,260.8**
Carrying Amount	
At 31 December 2006	**1,260.8**
At 31 December 2005	1,257 3

COMPANY	£m
Cost	
At 1 January 2005 and 1 January 2006	-
Recognised on acquisition of trade	0 6
At 31 December 2006	**0.6**
Carrying Amount	
At 31 December 2006	**0.6**
At 31 December 2005	-

The increase in goodwill during the year related to the purchase of a metering trade

NOTES TO THE FINANCIAL STATEMENTS continued

17. Impairment testing of goodwill

Allocation of goodwill to Branches	**2006 £m**	2005 £m
Customer and Energy Branch	**1,142.2**	1,139 3
Regulated Networks Branch	**40.0**	40 0
Other Networks Branch	**78.0**	78 0
Corporate Branch	**0.6**	-
Total goodwill	**1,260.8**	1,257 3

During the year, impairment testing has been carried out at a cash generating unit ("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 respect of goodwill in 2006 (2005 £nil)

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

Regulated networks
The impairment review was based on the 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

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

NOTES TO THE FINANCIAL STATEMENTS continued

18. Intangible assets

GROUP	EU Emissions Trading Certificates £m	IT Software £m	Total £m
Cost			
Cost at 1 January 2005	-	169 1	**169.1**
Additions	63 2	25 4	**88.6**
At 1 January 2006	**63.2**	**194.5**	**257.7**
Additions	158 4	25 5	**183.9**
Disposals	(63 2)	(0 1)	**(63.3)**
At 31 December 2006	**158.4**	**219.9**	**378.3**
Amortisation			
At 1 January 2005	-	(64 5)	**(64.5)**
Charge for the year	-	(18 7)	**(18.7)**
At 1 January 2006	-	**(83.2)**	**(83.2)**
Charge for the year	-	(21 4)	**(21.4)**
At 31 December 2006	-	**(104 6)**	**(104.6)**
Carrying amount			
At 31 December 2006	**158.4**	**115.3**	**273.7**
At 31 December 2005	63 2	111 3	174 5

NOTES TO THE FINANCIAL STATEMENTS continued

18. Intangible assets continued

COMPANY	EU Emissions Trading Certificates £m	IT Software £m	Total £m
Cost			
Cost at 1 January 2005	-	135 3	**135 3**
Additions	63 2	6 7	**69.9**
At 1 January 2006	**63.2**	**142.0**	**205.2**
Additions	158 4	3 1	**161.5**
Disposals	(63 2)	(109 2)	**(172 4)**
At 31 December 2006	**158.4**	**35.9**	**194.3**
Amortisation			
Cost at 1 January 2005	-	(58 0)	**(58.0)**
Charge for the year	-	(18 2)	**(18 2)**
At 1 January 2006	-	**(76.2)**	**(76 2)**
Charge for the year	-	(4 7)	**(4 7)**
Disposals	-	62 9	**62.9**
At 31 December 2006	**-**	**(18.0)**	**(18.0)**
Carrying amount			
At 31 December 2006	**158.4**	**17.9**	**176.3**
At 31 December 2005	63 2	65 8	129 0

During the year, the Company transferred IT software with a net book value of £46 3m at book value to another Group company

NOTES TO THE FINANCIAL STATEMENTS continued

19. Property, plant and equipment

GROUP	Land and Buildings	Network Assets	Generation Assets	Motor Vehicles	Equipment	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m	**£m**
Cost							
At 1 January 2005	45 0	5,814 3	1,255 4	38 0	272 6	59 9	**7,485.2**
Additions	29 9	450 4	-	7 9	(1 8)	115 3	**601.7**
Transfers	343 7	(317 1)	97 9	(12 4)	9 5	(121 6)	**-**
Transfers to assets held for sale	(5 7)	(0 8)	-	-	-	-	**(6.5)**
Disposals	(3 5)	(12 9)	-	(3 4)	(7 5)	-	**(27.3)**
At 1 January 2006	409 4	5,933 9	1,353 3	30 1	272 8	53 6	**8,053.1**
Additions	34 4	434 8	-	(0 1)	13 3	127 8	**610.2**
Transfers	(12 1)	10 7	72 7	14 4	37 8	(123 5)	**-**
Transfers to assets held for sale	(2 6)	-	-	-	-	-	**(2.6)**
Transfers from assets held for sale	4 1	-	-	-	-	-	**4 1**
Disposals	0 1	(13 5)	(21 2)	(4 7)	(0 8)	3 2	**(36 9)**
At 31 December 2006	**433.3**	**6,365.9**	**1,404.8**	**39.7**	**323.1**	**61.1**	**8,627.9**
Accumulated depreciation							
At 1 January 2005	(7 9)	(959 6)	(224 8)	(17 0)	(182 8)	-	**(1,392.1)**
Charge for the year	(4 0)	(163 4)	(74 2)	(5 6)	(24 3)	-	**(271.5)**
Transfers	(108 8)	112 1	-	13 9	(17 2)	-	**-**
Transfers to assets held for sale	2 5	0 7	-	-	-	-	**3.2**
Disposals	2 3	12 2	-	3 3	5 2	- -	**23.0**
At 1 January 2006	(115 9)	(998 0)	(299 0)	(5 4)	(219 1)		**(1,637.4)**
Charge for the year	(5 6)	(150 7)	(84 2)	(7 2)	(29 1)	-	**(276.8)**
Transfers to assets held for sale	(0 8)	-	-	-	-	-	**(0.8)**
Transfers from assets held for sale	0 5	-	-	-	-	-	**0.5**
Disposals	0 5	10 6	21 2	4 5	0 1	-	**36 9**
At 31 December 2006	**(121.3)**	**(1,138.1)**	**(362.0)**	**(8.1)**	**(248.1)**	**-**	**(1,877.6)**
Carrying amount							
At 31 December 2006	**312.0**	**5,227 8**	**1,042.8**	**31.6**	**75.0**	**61.1**	**6,750.3**
At 31 December 2005	293 5	4,935 9	1,054 3	24 7	53 7	53 6	6,415 7

NOTES TO THE FINANCIAL STATEMENTS continued

19 Property, plant and equipment continued

The carrying amount of the Group's generation assets includes an amount of £277 1m (2005 £296 9m) in respect of assets held under finance leases

COMPANY	Land and Buildings	Equipment and fittings	Assets in the course of construction	**Total**
	£m	£m	£m	**£m**
Cost				
At 1 January 2005	27 5	37 4	-	**64 9**
Additions	7 0	10 7	-	**17.7**
Transfers to assets held for sale	(5 5)	(0 9)	-	**(6.4)**
Disposals	(2 2)	(3 5)	-	**(5.7)**
At 1 January 2006	**26 8**	**43 7**	-	**70.5**
Additions	-	-	12 2	**12.2**
Transfers	(12 0)	20 1	(8 1)	-
At 31 December 2006	**14.8**	**63.8**	**4.1**	**82.7**

	Land and Buildings	Equipment and fittings	Assets in the course of construction	**Total**
	£m	£m	£m	**£m**
Accumulated depreciation				
At 1 January 2005	(7 1)	(18 9)	-	**(26.0)**
Charge for the year	(1 4)	(6 6)	-	**(8.0)**
Transfers	3 1	(3 1)	-	-
Transfers to assets held for sale	2 1	0 7	-	**2.8**
Disposals	1 5	1 8	-	**3.3**
At 1 January 2006	**(1.8)**	**(26.1)**	-	**(27.9)**
Charge for the year	(0 2)	(9 6)	-	**(9.8)**
At 31 December 2006	**(2 0)**	**(35.7)**	-	**(37.7)**
Carrying amount				
At 31 December 2006	**12.8**	**28.1**	**4.1**	**45.0**
At 31 December 2005	25 0	17 6	-	42 6

NOTES TO THE FINANCIAL STATEMENTS continued

20. 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 2005	11 7	0 1	**11.8**
Transfers from property, plant and equipment	5 7	0 8	**6.5**
At 1 January 2006	17 4	0 9	**18.3**
Transfers from property, plant and equipment	2 6	-	**2.6**
Transfers to property, plant and equipment	(4 1)	-	**(4.1)**
Disposals	(13 3)	(0 9)	**(14.2)**
At 31 December 2006	**2.6**	-	**2.6**

	Land and Buildings £m	Equipment and fittings £m	Total £m
Accumulated depreciation			
At 1 January 2005	(1 5)	-	**(1.5)**
Transfers from property, plant and equipment	(2 5)	(0 7)	**(3.2)**
At 1 January 2006	(4 0)	(0 7)	**(4.7)**
Transfers from property, plant and equipment	(0 5)	-	**(0.5)**
Transfers to property, plant and equipment	0 8	-	**0.8**
Disposals	3 2	0 7	**3.9**
At 31 December 2006	**(0.5)**	-	**(0.5)**
Carrying amount			
At 31 December 2006	**2.1**	-	**2.1**
At 31 December 2005	13 4	0 2	13 6

NOTES TO THE FINANCIAL STATEMENTS continued

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

COMPANY	Land and Buildings £m	Equipment and fittings £m	**Total £m**
Cost			
At 1 January 2006	5 5	0 9	**6.4**
Disposals	(5 5)	(0 9)	**(6.4)**
At 31 December 2006	-	-	-

	Land and Buildings £m	Equipment and fittings £m	**Total £m**
Accumulated depreciation			
At 1 January 2006	(2 1)	(0 7)	**(2.8)**
Disposals	2 1	0 7	**2.8**
At 31 December 2006	-	-	-
Carrying amount			
At 31 December 2006	-	-	-
At 31 December 2005	**3.4**	**0.2**	**3.6**

NOTES TO THE FINANCIAL STATEMENTS continued

21. Investments in subsidiary undertakings

COMPANY	Shares £m	Loans £m	**Total £m**
At 31 December 2005	1,070 2	1,227 9	**2,298.1**
Increase in loans	-	182 3	**182.3**
Repayments of loans	-	(64 3)	**(64.3)**
At 31 December 2006	1,070 2	1,345 9	**2,416.1**

Details on movements in loans are as follows

	Balance at 31 December 2005 £m	**Increase in loans £m**	**Decrease in loans £m**	**Balance at 31 December 2006 £m**
Loans to EDF Energy Networks (SPN) plc	60 5	39 3	-	99 8
Loans to EDF Energy (Services) Limited	31 7	-	(9 6)	22 1
Loans to EDF Energy Transport (Services) Limited	1 9	-	(0 7)	1 2
Loans to EDF Energy 1 imited	40 0	1 0	-	41 0
Loans to EDF Energy (Energy Branch) plc	189 8	-	(18 8)	171 0
Loans to West Burton Property Limited	419 0	-	(35 2)	383 8
Loans to EDF Energy Customers plc	105 7	-	-	105 7
Loans to EDF Energy Customer Field Services (Metering) Limited	0 3	-	-	0 3
Loans to CSW Investments	379 0	60 0	-	439 0
Loans to The Barkantine Heat & Power Company Limited	-	4 2	-	4 2
Loans to Kirkheaton Wind Limited	-	0 8	-	0 8
Loans to High Hedley Limited		1 0		1 0
Loans to EDF Energy Development Branch plc	-	2 5	-	2 5
Loans to EDF Energy Networks (LPN) plc	-	73 5	-	73 5
	1,227.9	**182.3**	**(64.3)**	**1,345.9**

Accounts of all subsidiary companies are consolidated The principal undertakings at 31 December 2006, 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
Ealing Lighting (Finance) Limited*	100%	100%	Street lighting contractor
Ealing Lighting Limited	100%	100%	Electrical contracting

NOTES TO THE FINANCIAL STATEMENTS continued

21. Investments in subsidiary undertakings continued

Name of subsidiary	Proportion of ownership interest %	Proportion of voting power held %	Principal Activity
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
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	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 *	100%	100%	Electricity retailing
London Power Insurance Limited (Guernsey)	100%	100%	Insurance

NOTES TO THE FINANCIAL STATEMENTS continued

21. Investments in subsidiary undertakings continued

Name of subsidiary	Proportion of ownership interest %	Proportion of voting power held %	Principal Activity
London Power SB Limited*	100%	100%	Investment in power generation company
Longfield Insurance Company Limited* (Isle of Man)	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
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) plc *	100%	100%	Holding company
SEEBOARD Highway Lighting No 2 Limited*	100%	100%	Holding company
SEEBOARD Highway Lighting No 3 Limited*	100%	100%	Holding company
SEEBOARD Highway Lighting No 4 Limited*	100%	100%	Holding company
SEEBOARD Highway Services Limited*	100%	100%	Holding company
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*	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
Deletepicnic Limited	100%	100%	Holding company
Dorset Lighting (Finance) Limited*	100%	100%	Street lighting contractor
Dorset Lighting Limited*	100%	100%	Electrical contracting

* Held indirectly

NOTES TO THE FINANCIAL STATEMENTS continued

22. Investments in associates

	2006 £m	Restated 2005 £m
Cost of investment in associates	**41.1**	29 2
Share of post acquisition gains/(losses) net of dividend	**61.8**	26 3
Total investment	**102.9**	55 5
Provision for impairment	**(50.0)**	-
Carrying value of associates	**52.9**	55 5

Aggregated amounts relating to associates	2006 £m	Restated 2005 £m
Total assets	**528.9**	447 9
Total liabilities	**(476.0)**	(392 4)
Revenues	**793.4**	213 3
(Loss)/profit	**(20.6)**	23 6

Details of the Group's associates at 31 December 2006 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	18 9%	25%	Equity
Thames Valley Power Limited	Great Britain	50 0%	50 0%	Equity

All associates are held indirectly

During 2006, a detailed cost review was undertaken which indicated that the Period One (2003 – 2010) contract costs for Metronet BCV Limited and SSL Limited (together "Metronet") could be significantly higher than originally anticipated

Under the contract, the project sponsors are able to recover part or whole of cost overruns from the client, London Underground Limited, subject to the arbiter, whose duties are defined by contract, deeming through an Extraordinary Review of the contract that the work carried out by Metronet has been done in an economic and efficient manner

To date, the initial view of the arbiter on the first three years of the contracts indicates that Metronet is likely to be considered un-economic and inefficient in some areas of the contract

To reflect the significant uncertainty at 31 December 2006 over the contract and the value of the equity invested, an impairment of £50m has been recorded against the carrying values of the investment in Metronet, held by EDF Energy The provision is included within the loss from associates

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

NOTES TO THE FINANCIAL STATEMENTS continued

23. 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 %
Power Asset Development Company Limited	Great Britain	50 0%	50 0%
Trans4m Limited	Great Britain	25 0%	25 0%
SABCO	Unincorporated	50 0%	50 0%
SOLVe	Unincorporated	50 0%	50 0%
MUJV Limited	Great Britain	49 9%	49 9%

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

	2006 £m	Restated 2005 £m
Current assets	**52 9**	41 2
Non-current assets	**81.0**	67 9
	133.9	109 1
Current liabilities	**(141.3)**	(43 4)
Non-current liabilities	**-**	(68 5)
	(7.4)	(2 8)
Revenue	**104.7**	105 2
Cost of sales	**(104.7)**	(97 0)
Administrative expenses	**(1.5)**	(8 7)
Finance costs	**0.2**	5 0
(Loss) / profit before income tax	**(1.3)**	4 5
Income tax credit / (expense)	**0.6**	(0 9)
Net (loss) / profit	**(0.7)**	3 6

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

NOTES TO THE FINANCIAL STATEMENTS continued

24. Long term receivables

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	£m	£m	**£m**	£m
Amounts receivable from joint ventures	**2.0**	2 1	-	-
Amounts receivable under PFI contracts	**12.6**	-	-	-
Amounts receivable from associates	**8.0**	3 8	-	-
Investment in London & Continental Railways	**2.5**	2 5	**2.5**	2 5
Other receivables	**1.0**	7 2	-	1 3
	26.1	15 6	**2.5**	3 8

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

25. Finance lease receivables

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		Net investment in finance leases	
	2006	2005	**2006**	2005
	£m	£m	**£m**	£m
Amounts receivable under finance leases				
Within one year	**99.2**	85 8	**47.3**	44 3
After one year but not more than five years	**473.9**	377 6	**167.8**	168 4
More than five years	**5,946.4**	6,061 8	**164.2**	130 8
	6,519.5	6,525 2	**379.3**	343 5
Less Unearned future finance income on finance leases	**(6,140 2)**	(6,181 7)	**n/a**	n/a
Present value of minimum lease payments receivable	**379.3**	343 5	**379.3**	343 5
Analysed as				
Non-current finance lease receivables (recoverable after more than 12 months)			**47.3**	44 3
Current finance lease receivables (recoverable after more than 12 months)			**332.0**	299 2
			379.3	343 5

An average effective rate of return of 12% (2005 12%) is generated by the finance lease debtors

NOTES TO THE FINANCIAL STATEMENTS continued

26. Inventories

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	£m	£m	**£m**	£m
Raw materials and consumables	**233.8**	126 8	**209.3**	104 5
Work in progress	**41.9**	21 5	**-**	-
	275.7	148 3	**209.3**	104 5

None of the inventories have any exposure to fluctuations in interest rate in either the current or the preceding year

27. Trade and other receivables

	GROUP		COMPANY	
		Restated		
	2006	2005	**2006**	2005
	£m	£m	**£m**	£m
Trade receivables	**658 9**	457 8	**23 3**	24 2
Amounts due under long term contracts (note 28)	**11.6**	-	**-**	-
Unbilled revenue	**703.8**	612 4	**-**	-
Amounts owed by parent company	**-**	-	**-**	130 2
Amounts owed by other group companies	**251.4**	211 3	**1,770.8**	439 2
Corporation tax (group payments)	**-**	-	**179.8**	194 5
Other debtors	**56.9**	80 2	**20 4**	18 1
Pension reimbursement rights asset (note 43)	**12.4**	-	**-**	-
	1,695.0	1,361 7	**1,994 3**	806 2

The majority of trade receivables are non-interest bearing and are generally on 60 day terms Interest is applied to major accounts when the accounts become overdue For further information relating to related party receivables, refer to note 44 Included in the value of other debtors for the Group, is £13 7m relating to value added taxation ("VAT") (2005 £11 7m 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

Included within trade receivables is a provision for doubtful debts of £74 2m (2005 £67 3m) in the Group, and £0 2m in the Company (2005 £0 1m)

NOTES TO THE FINANCIAL STATEMENTS continued

28. Long term contracts

	GROUP	
	2006	Restated 2005
	£m	£m
Contracts ın progress at balance sheet date		
Amounts due from contract customers ıncluded ın trade and other receıvables	**11.6**	-
Amounts due to contract customers ıncluded ın trade and other payables	**(51.8)**	(39 8)
	(40.2)	(39 8)
Contract costs ıncurred plus recognısed profits less recognısed losses to date	**391.9**	265 9
Less progress bıllıngs	**(432.1)**	(305 7)
	(40.2)	(39 8)

There are a number of long term contracts withın the Group The Powerlınk contract whıch ends ın 2028 ıs part of a prıvate finance ınıtıatıve ("PFI") consortıum ıncludes the refurbıshment of the legacy ınfrastructure assets for London Underground The Allenby contract ıs a PFI electrıcal ınfrastructure contract wıth the Mınıstry of Defence, endıng ın 2041 The Metronet Allıance contract forms part of the overall Metronet publıc prıvate partnershıp ("PPP") contract wıth London Underground (see note 22), and wıll finısh ın 2009 Inflatıon rate rısk arıses from these long term contracts because revenue streams are generally based on the retaıl prıce ındex, but costs generally rıse based on the constructıon prıce ındex

Revenue under long term contracts amounted to £160 1m ın 2006, and £66 2m ın 2005

There are no such long term contracts wıthın the Company

NOTES TO THE FINANCIAL STATEMENTS continued

29. Cash and cash equivalents

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	£m	£m	**£m**	£m
Cash at bank and in hand	**100 9**	128 8	-	-
Short-term deposits	**65 4**	37 3	-	8 6
	166 3	166 1	-	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 3 m (2005 £166 1m)

At 31 December 2006, the Group had available £460 0m (2005 £610 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	
	2006	2005	**2006**	2005
	£m	£m	**£m**	£m
Cash at bank and in hand	**100 9**	128 8	-	-
Bank overdrafts	-	-	**(514.4)**	(24 3)
Short-term deposits	**65.4**	37 3	-	8 6
Cash and equivalents as restated	**166 3**	166 1	**(514.4)**	(15 7)

The Group cash balance includes £50 8m (2005 £38 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 2006 or 2005, and amounts owed, shown above, are repayable on demand

NOTES TO THE FINANCIAL STATEMENTS continued

30. Other liabilities

	GROUP		COMPANY	
		Restated		
	2006	2005	**2006**	2005
	£m	£m	**£m**	£m
Trade creditors	**899 1**	713 8	**574.5**	526 6
Amounts due under long term contracts (note 28)	**51.8**	39 8	**-**	-
Other payables	**632.2**	538 9	**36.2**	3 2
Deferred income due within one year	**41.1**	42 2	**-**	-
Interest payable	**76.6**	82 9	**3.5**	2 9
Amount owed to intermediate parent companies	**-**	14 4	**-**	14 4
Amounts owed to other Group companies	**-**	-	**713.0**	399 9
Other liabilities - current	**1,700.8**	1,432 0	**1,327.2**	947 0
Deferred income – non current	**1,202.3**	1,100 9	**-**	-
Total other liabilities	**2,903.1**	2,532 9	**-**	-

For further information regarding related party payables refer note 44

Trade payables are non-interest bearing and are normally settled on 60-day terms, with the exception of energy purchases which are usually settled on market terms within 14 days 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

NOTES TO THE FINANCIAL STATEMENTS continued

31 Interest bearing loans and borrowings

	GROUP		COMPANY	
	2006	2005	**2006**	2005
Current	**£m**	£m	**£m**	£m
Other loans				
Short term borrowing	**1,281.6**	824 4	**1,195.3**	646 5
Bank overdraft	-	-	**514.4**	24 3
\$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)	**26.8**	22 3	-	-
PADCO loan (ii)	**58.1**	61 6	-	-
Other	-	5 1	-	-
Securitisation (iii)	**340.0**	340 0	-	-
	1,706.5	1,473 4	**1,709.7**	670 8
Non-current				
Other loans				
€500m 4 375% Eurobond due December 2010	**336.9**	343 6	**336.9**	343 6
£200m 8 75% Eurobond due March 2012	**221.0**	225 0	-	-
Sutton Bridge Bonds due June 2022 (i)	**195.9**	229 4	-	-
£50m Index Linked Bond due June 2023	**55 0**	53 6	-	-
£300m 5 75% Bonds due 2024	**348 8**	348 8	-	-
£200m 8 5% Eurobond due March 2025	**255 9**	259 0	-	-
£300m 5 5% Eurobond due June 2026	**296.9**	296 7	-	-
£300m 6 125% Bonds due June 2027	**305 6**	305 9	-	-
£150m 3 125% Index Linked Bonds due June 2032	**167 2**	163 0	-	-
Other	**15.9**	-	-	-
	2,199 1	2,225 0	**336.9**	343 6
Total interest bearing loans and borrowings	**3,905 6**	3,698 4	**2,046.6**	1,014 4

(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 £139 3m (2005 £150 5m) at a fixed interest rate of 8 625 % The second tranche comprises a remaining principal amount of US\$107 2m (2005 \$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

31. Interest bearing loans and other borrowings continued

(ii) The PADCO loan of £58 1m (2005 £61 6m) relates to EDF Energy plc's share of PADCO's drawn down loan facilities relating to PADCO construction contracts Loan facilities of £105m and £18m were entered into on 13 August 1998, secured by fixed and floating charges over PADCO's assets PADCO 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) The Group has 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 £350m, and amounts are repayable within 12 months of the securitisation of the associated debtor balance

32. Derivative financial instruments

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 Group's financial risk management objectives and policies are detailed below They can be split into two main areas, competitive risk and the risks arising as a result of the Group's use of financial instruments A discussion of the risks together with a summary of the Group's approach to managing those risks is as follows The accounting basis for dealing with these risks is discussed in the accounting policy section below The accounting treatment for financial instruments entered into as a result of these policies is detailed in note 2

Margin risk
Margin price risk arises from 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 Margin risk also arises from the requirement to purchase EU carbon emissions certificates

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 and EU emissions certificates 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

NOTES TO THE FINANCIAL STATEMENTS continued

32 Derivative financial instruments continued

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	2006		2005	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Floating rate borrowings	**2,180.0**	**2,263.1**	1,735 3	1,785 7
Fixed rate borrowings	**2,061.8**	**2,174.3**	2,312 3	2,573 4
Total borrowings	**4,241.8**	**4,437.4**	4,047 6	4,359 1
Commodity derivative contracts – assets (i)	**(303.4)**	**(303.4)**	(569 0)	(569 0)
Foreign currency derivatives – assets (iii)	**(37.8)**	**(37.8)**	(4 9)	(4 9)
Interest rate derivatives – assets (ii)	**(0.9)**	**(0.9)**	-	-
Total assets	**(342.1)**	**(342.1)**	(573 9)	(573 9)
Commodity derivative contracts – liabilities (i)	**1,091.8**	**1,091.8**	128 0	128 0
Interest rate derivatives – liabilities (ii)	**6 6**	**6.6**	7 2	7 2
Foreign currency derivatives – liabilities (iii)	**69.5**	**69.5**	35 3	35 3
Total liabilities	**1,167.9**	**1,167.9**	170 5	170 5
Net financial instruments and commodities	**825.8**	**825.8**	(403 4)	(403 4)
Total	**5,067.6**	**5,263.2**	3,644 2	3,955 7

The total borrowings in the above table, includes interest bearing liabilities and finance lease liabilities

NOTES TO THE FINANCIAL STATEMENTS continued

32. Derivative financial instruments continued

COMPANY	2006		2005	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Floating rate borrowings	1,709.7	1,709.7	670 8	670 8
Fixed rate borrowings	336.9	348.7	343 6	359 1
Total borrowings	2,046.6	2,058.4	1,014 4	1,029 9
Commodity derivative contracts – assets (i)	(303.4)	(303.4)	(569 0)	(569 0)
Foreign currency derivatives – assets (iii)	(37.8)	(37.8)	(4 9)	(4 9)
Total assets	(341.2)	(341.2)	(573 9)	(573 9)
Commodity derivative contracts – liabilities (i)	1,091.8	1,091.8	128 0	128 0
Foreign currency derivatives – liabilities (iii)	41.8	41 8	-	-
Total liabilities	1,133.6	1,133.6	128 0	128 0
Net financial instruments and commodities	792.4	792 4	(445 9)	(445 9)
Total	2,839.0	2,850.8	568 5	584 0

(i) These amounts include contracts which qualify as cash flow hedges under IAS39 and contracts which are carried at fair value through the income statement

(ii) Interest rate derivatives are accounted for as cash flow hedges

(iii) Foreign currency derivatives comprise forward foreign exchange contracts and swaps on foreign currency bonds Forward currency contracts are either carried at fair value through the income statement, or designated as fair value hedges The swap instruments qualify for designation as cash flow hedges under IAS39

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 Commodity derivative contracts include contracts related to the purchase of power, coal, gas, gas oil, fuel oil and EU carbon emissions certificates

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 and as fair value hedges

NOTES TO THE FINANCIAL STATEMENTS continued

32. Derivative financial instruments continued

The contracted commitments of all derivative commodity trades, outstanding at 31 December were

GROUP	At 31 December 2006 Total £m	At 31 December 2005 Total £m
Commodity derivative contracts	**3,513.9**	1,736 9
Foreign exchange derivatives	**2,312 4**	563 3
Interest rate derivatives	**63.2**	8 4
Total	**5,889.5**	2,308 6

Included within the table above are commitments of £2,969 8m (2005 £1,345 2m) which will mature within one year

COMPANY	At 31 December 2006 Total £m	At 31 December 2005 Total £m
Energy derivatives	**3,513.9**	1,736 9
Foreign exchange derivatives	**250 2**	347 0
Total	**3,764.1**	2,083 9

Included within the table above are commitments of £2,034 0m (2005 £1,198 4m) which will mature within one year

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 is active for up to two to three 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 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-party 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

NOTES TO THE FINANCIAL STATEMENTS continued

32. Derivative financial instruments continued

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 The Group has designated certain foreign exchange derivatives as fair value hedges In each case, the risk being hedged is foreign exchange risk

The Group has designated certain power, gas and coal derivatives as cash flow 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 2006 £m**	31 December 2005 £m
Less than one year	**(540.1)**	250 4
Between one to two years	**(215.5)**	135 7
Between two years and five years	**(8.1)**	(11 4)
More than five years	**(15.0)**	-
Total (losses)/gains on hedged derivatives	**(778.7)**	374 7
Deferred taxation	**233.6**	(115 1)
Total	**(545 1)**	259 6

£(10 7)m (2005 £2 0m) was recycled out of reserves relating to the movement in foreign currency bonds

COMPANY	**31 December 2006 £m**	31 December 2005 £m
Less than one year	**(540.2)**	238 1
Between one to two years	**(215.6)**	135 7
Between two years and five years	**0.9**	41 2
Total (losses)/gains on hedged derivatives	**(754.9)**	415 0
Deferred taxation	**226.5**	(125 2)
Total	**(528.4)**	289 8

£10 3m (2005 £6 7m) was recycled out of reserves relating to the movement in foreign currency bonds in the Company

NOTES TO THE FINANCIAL STATEMENTS continued

32. Derivative financial instruments continued

Interest rate profile of financial liabilities

The interest rate profile of financial liabilities, subsequent to the effect of interest rate swaps, was as follows

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

	GROUP		COMPANY	
	2006	2005	**2006**	2005
Weighted average fixed interest rate %	**6.3%**	6 8%	**5.2%**	5 2%
Weighted average floating interest rate %	**5.5%**	4 7%	**5.5%**	-
Weighted average period for long-term debt (years)	**14.8 yrs**	14 3 yrs	**1.0 yrs**	4 0 yrs

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

At 31 December 2006, the Group had four interest rate swaps (2005 two) The fair value of the interest rate swaps outstanding at 31 December 2006 was a liability of £5 5m (2005 a liability of £7 2m) The Company had no interest rate swaps in 2006 (2005 none)

Maturity of borrowings

The Group's maturity of debt, excluding finance lease obligations, at 31 December was as follows

	GROUP		COMPANY	
	2006 £m	2005 £m	**2006 £m**	2005 £m
In one year or less or on demand	**1,706 5**	1,473 4	**1,709.7**	670 8
In more than one year but not more than two years	-	-	-	-
In more than two years but not more than five years	**410.2**	343 6	**336.9**	343 6
In more than five years	**1,788 9**	1,881 4	-	-
Total	**3,905.6**	3,698 4	**2,046.6**	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

	2006 £m	2005 £m
US Dollar forward purchase agreements	**501.2**	177 1
Euro forward purchase agreements	**274.0**	238 6

NOTES TO THE FINANCIAL STATEMENTS continued

33. Provisions for liabilities

The movements in provisions during the current year are as follows

GROUP	At 1 January 2006 £m	Utilised in the year £m	Released in the year £m	Arising during the year £m	Unwinding of discount £m	**At 31 December 2006 £m**
Medway power contract	92 0	(25 0)	-	-	-	**67.0**
Obligations under EU emissions	64 5	(63 2)	(1 3)	158 2	-	**158.2**
Teesside power contract	32 0	(14 4)	-	-	-	**17.6**
Insurance	30 1	(2 5)	(3 7)	4 1	-	**28.0**
Decommissioning	21 9	-	-	-	2 5	**24.4**
Legal disputes	6 1	(0 7)	(0 4)	2 5	-	**7.5**
Onerous lease contracts	5 0	(0 6)	-	-	-	**4.4**
Restructuring costs	13 4	(6 3)	(6 1)	-	-	**1.0**
Rectification costs	-	-	-	3 7	-	**3.7**
Other costs	1 1	-	-	0 3	-	**1.4**
	266.1	**(112.7)**	**(11.5)**	**168.8**	**2.5**	**313.2**

The provisions have been split as follows

	At 31 December 2006			At 31 December 2005		
GROUP	**Current £m**	**Non-Current £m**	**Total £m**	Current £m	Non-Current £m	Total £m
Medway power contract	**22.0**	**45 0**	**67.0**	25 5	66 5	92 0
Obligations under EU emissions	**158 2**	-	**158.2**	64 5	-	64 5
Teesside power contract	**14.2**	**3.4**	**17 6**	14 2	17 8	32 0
Insurance	**28 0**	-	**28.0**	30 1	-	30 1
Decommissioning	-	**24.4**	**24.4**	-	21 9	21 9
Legal disputes	**7 5**	-	**7.5**	6 1	-	6 1
Onerous lease contracts	**1.8**	**2.6**	**4.4**	0 5	-	0 5
Restructuring costs	**1.0**	-	**1.0**	13 4	-	13 4
Rectification costs	**3 7**	-	**3.7**	-	4 5	4 5
Other costs	**1 4**	-	**1.4**	1 1	-	1 1
	237.8	**75.4**	**313.2**	155 4	110 7	266 1

NOTES TO THE FINANCIAL STATEMENTS continued

33. Provisions for liabilities continued

COMPANY	At 1 January 2006 £m	Utilised in the year £m	Released in the year £m	Arising during the year £m	**At 31 December 2006 £m**
Onerous lease contracts	5 0	(0 6)	-	-	**4.4**
Restructuring costs	13 4	(6 3)	(6 1)	-	**1.0**
Legal disputes	0 5	(0 3)	(0 2)	-	**-**
Insurance	0 3	-	-	-	**0.3**
Other costs	1 3	-	-	-	**1.3**
Obligations under EU emissions	-	-	-	8 1	**8.1**
	20.5	**(7.2)**	**(6.3)**	**8.1**	**15.1**

The provisions have been split as follows

COMPANY	**At 31 December 2006** Current £m	Non-Current £m	Total £m	At 31 December 2005 Current £m	Non-Current £m	Total £m
Onerous lease contracts	**1.8**	**2.6**	**4.4**	0 5	4 5	5 0
Restructuring costs	**1.0**	-	**1.0**	13 4	-	13 4
Legal disputes	-	-	-	0 5	-	0 5
Insurance	**0 3**	-	**0.3**	0 3	-	0 3
Other costs	**1.3**	-	**1.3**	1 3	-	1 3
Obligations under EU emissions	**8.1**	-	**8.1**	-	-	-
	12.5	**2 6**	**15.1**	16 0	4 5	20 5

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 Teesside provision will unwind by end of 2008, and the Medway provision will unwind by the end of 2010.

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 2007 because the Group is required to provide carbon certificates on an annual basis

The insurance provision is based on an assessment of the Group's known liabilities as at 31 December 2006 The provision is calculated by the Group's captive insurers, using various assumptions and is to cover the Group's 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, between 2020 and 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 2007

NOTES TO THE FINANCIAL STATEMENTS continued

33. Provisions for liabilities continued

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 2007 and 2014

The restructuring provision covers the costs of severance related to restructuring announced before 31 December 2006 The provision is expected to be utilised in 2007 Where individual redundancy packages have not yet been agreed, a provision has been created based on the range offered

The rectification provision covers the additional cost of work to be carried out in order to fulfil contractual obligations for contracts which have been completed This provision will be released in 2007

34. 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 2005	913 9	(5 3)	(103 5)	(1 8)	(44 7)	758 6
Charge to income	20 6	5 3	9 0	-	36 5	71 4
Charge to equity	-	-	-	116 9	-	116 9
At 1 January 2006	**934.5**	-	**(94.5)**	**115.1**	**(8 2)**	**946.9**
Charge to income	45 8		22 6	(19 0)	0 7	50 1
Credit to equity	-	-	-	(348 7)	-	(348 7)
Arising on acquisition	-	-	(1 5)	-	-	(1 5)
Reclassification	-	-	-	10 7	(10 7)	-
At 31 December 2006	**980.3**	-	**(73.4)**	**(241.9)**	**(18.2)**	**646.8**

COMPANY	Accelerated tax depreciation £m	Retirement benefit obligations £m	Fair value of derivative instruments £m	Other £m	**Total £m**
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 1 January 2006	6 5	(4 6)	125 2	5 9	**133.0**
Credit to income	(2 8)	(0 5)	(19 0)	(4 9)	**(27.2)**
Credit to equity	-	-	(350 6)	-	**(350.6)**
At 31 December 2006	**3.7**	**(5.1)**	**(244.4)**	**1.0**	**(244.8)**

See note 14 for an analysis of the charge in the year and prior year

NOTES TO THE FINANCIAL STATEMENTS continued

34. Deferred tax continued

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	
	2006	2005	**2005**	2005
	£m	£m	**£m**	£m
Deferred tax assets	**(333.5)**	(213 3)	**(250.6)**	(12 4)
Deferred tax liabilities	**980.3**	1,160 2	**5.8**	145 4
At 31 December	**646.8**	946 9	**(244.8)**	133 0

At the balance sheet date, the Group had no unused tax losses (2005 £nil) available for offset against future profits

35. Minority interest

	GROUP
	£m
At 1 January 2006	**2.2**
Profit on ordinary activities after taxation	0 2
Additions	0 1
At 31 December 2006	**2.5**

The minority interest arises from the Group's holdings in EDF Energy Powerlink Limited and London ESCO Limited The Group holds 80% of the shares in EDF Energy Powerlink Limited, with the other remaining 20% being held by Balfour Beatty plc and ABB Investments Limited The Group invested an 81% stake in London ESCO Limited during the year with the remaining stake being held by the London Development Agency

36. Commitments

Capital and other commitments

At 31 December 2006, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £191 0m (2005 £137 5m) The Company had not entered into any contractual commitments for the purchase of property, plant and equipment (2005 £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 £1,193 7m (2005 £ 947 4m) and contracts for the purchase of fuel of £141 5m (2005 £304 0m)

NOTES TO THE FINANCIAL STATEMENTS continued

36. Commitments continued

Operating lease commitments

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

GROUP	2006 £m	2005 £m
Within one year	**24.0**	25 8
After one year but not more than five years	**87.0**	87 4
More than five years	**194 1**	195 0
Future lease charges	**305.1**	308 2

COMPANY	2006 £m	2005 £m
Within one year	**11.9**	11 6
After one year but not more than five years	**40.6**	40 8
More than five years	**68.1**	57 4
Future lease charges	**120 6**	109 8

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	
	2006 £m	2005 £m	2006 £m	2005 £m
Within one year	**33.9**	33 5	**12.5**	11 5
After one year but not more than five years	**143.7**	140 9	**67.8**	61 6
More than five years	**340.0**	376 8	**255.9**	276 1
	517.6	551 2	**336.2**	349 2
Less Future finance charges	**(181.4)**	(202 0)	**N/A**	N/A
Minimum lease payments	**336.2**	349 2		

The Group's finance lease commitments relate to the Cottam power station under a finance lease with another company within the EDF SA group The term of the lease is 14 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

NOTES TO THE FINANCIAL STATEMENTS continued

36. Commitments continued

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 £156 9m at 31 December 2006 (2005 £105 1m)

37. Contingent liabilities

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 Metronet Alliance's obligations under its contracts with Metronet BCV and SSL Under the terms of the contract, EDF Energy's maximum share of Metronet Alliance's obligations would be £117 2m, unless Metronet Alliance terminated the Metronet BCV and SSL contract In this instance, EDF Energy would additionally be liable for any price differential incurred by Metronet BCV and SSL in arranging completion of the work, capped at the price contracted with Metronet Alliance A similar guarantee has been given relating to EDF Energy Contracting Limited's obligations under contract to Metronet BCV and SSL which has also been limited to a maximum of £44m except in the case of abandonment of the contract by EDF Energy (Contracting) Limited

The Group has given letters of credit to various associates, joint ventures The letter of credit granted to Metronet BCV and SSL was £37 4m (2005 £40 3m) and is equal to the additional equity and loans the Group is contractually obliged to contribute

The Group has given guarantees in respect of the construction of certain National Grid Assets relating to the Group's future construction of Power Plants A potential liability of £7 7m (2005 £nil) could arise as a result of these guarantees

38. Share capital

	2006 Number	2005 Number	2006 £m	2005 £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

	2006 Number	2005 Number	2006 £m	2005 £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

NOTES TO THE FINANCIAL STATEMENTS continued

39. Capital reserves

GROUP	Share premium £m	Capital contribution £m	Redemption reserve £m	Total £m
At 1 January 2005	13 9	-	11 0	**24.9**
Capital contribution	-	10 6	-	**10.6**
At 31 December 2005	13 9	10 6	11 0	**35.5**
At 31 December 2006	**13.9**	**10.6**	**11 0**	**35.5**

COMPANY	Share premium £m	Capital contribution £m	Redemption reserve £m	Total £m
At 1 January 2005	13 9	-	11 0	**24.9**
Capital contribution	-	2 1	-	**2.1**
At 31 December 2005	13 9	2 1	11 0	**27.0**
At 31 December 2006	**13.9**	**2.1**	**11.0**	**27.0**

The capital contribution in 2005 represented the costs incurred in providing the favourable terms to employees in respect of shares in EDF as part of the initial public offering in 2005, see note 11

NOTES TO THE FINANCIAL STATEMENTS continued

40. Retained earnings

	GROUP £m	COMPANY £m
At 1 January 2005	434 0	9 6
Net profit for the year	292 8	181 0
Equity dividends (note 15)	(96 0)	(96 0)
At 1 January 2006	**630.8**	**94.6**
Profit for the year	341 9	105 7
Equity dividends (note 15)	(105 0)	(105 0)
At 31 December 2006	**867.7**	**95.3**

41. Hedging reserve

	GROUP £m	COMPANY £m
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 1 January 2006	259 6	**289.8**
Net losses on items in cash flow hedge	(1,153 4)	**(1,168.8)**
Deferred taxation on net losses in cash flow hedge	348 7	**350.6**
At 31 December 2006	**(545.1)**	**(528.4)**

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

42. Notes to the cash flow statement

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	£m	£m	**£m**	£m
Profit before taxation	**420.8**	424 0	**54.7**	(52 8)
Adjustments for				
Loss/(gain) on derivatives	**62.9**	(35 4)	**62.9**	(35 4)
Depreciation	**276.8**	271 5	**9.8**	8 0
Other gains and losses	**(3.4)**	-	**(0.6)**	-
Amortisation of intangible assets	**21.4**	18 7	**4.7**	18 2
Finance cost	**199.9**	203 8	**6.2**	(1 8)
Gain on disposal of property, plant and equipment	**(22.7)**	(35 8)	**(20.1)**	(28 9)
Increase/(decrease) in provisions	**(48 2)**	21 2	**(5.4)**	(1 8)
(Decrease)/increase in post employment benefits	**(18 2)**	3 9	**0.3**	2 6
IFRS 2 share costs	-	10 6	-	2 1
Amortisation of customer contributions	**(37.4)**	(32 8)	-	-
Operating cash flows before movements in working capital	**851.9**	849 7	**112.5**	(89 8)
Increase in inventories	**(127.4)**	(24 8)	**(104 8)**	(26 6)
Increase in receivables	**(324.2)**	(312 9)	**(1,206.6)**	(99 5)
Increase in payables	**282.9**	151 7	**284.3**	207 6
Cash generated by operations	**683.2**	663 7	**(914 6)**	(8 3)
Pension deficit payment	**(48 6)**	(34 4)	**(2 6)**	(1 6)
Income taxes received/(paid)	**6 6**	(105 5)	**8 7**	(74 2)
Net cash from operating activities	**641.2**	523 8	**(908 5)**	(84 1)

NOTES TO THE FINANCIAL STATEMENTS continued

43. 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 £2m 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 and is operated by Transport for London ("TFL") The TFL pension scheme is a final salary scheme for eligible employees of Transport for London and its operating businesses which include London Underground EDF Energy Powerlink Limited contributes to the TFL scheme for those employees who were transferred to EDF Energy Powerlink Limited under the Transfer of Undertakings (Protection of Employment) Regulations, ("TUPE") The TFL pension scheme is a multi-employer scheme in which the assets and liabilities relative to each participating employer are separately identifiable Accordingly, the following disclosures relate only to the section of the scheme attributable to EDF Energy Powerlink Limited

Included in the Group's trade receivables is an amount which represents the reimbursement of the TFL pension liability This arises through the contractual obligation that London Underground Limited has with the Company to reimburse any payments that are required of the Company to the scheme to fund a scheme deficit that exceed a set annual contribution of 16 2% of the gross annual salaries of the EDF Energy Powerlink employees who are members of the scheme

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 preliminary results of the latest full actuarial valuation as at 31 March 2006 of the TFL pension scheme, being carried out by Watson Wyatt, were used to determine the liability at 31 December 2005 and 2006

The principal financial assumptions used to calculate ESPS liabilities under IAS 19 were

	31 December 2006 % p.a.	31 December 2005 % p a
Discount rate	**5.2**	4 7
Inflation assumption	**3.1**	2 9
Rate of increase in salaries	**4.1**	3 9
Rate of increase of pensions increases		
- full retail price indexation ("RPI")	**3.1**	2 9
- Limited price indexation ("LPI") up to 5% (EEPS – service to 31March 2006)	**3.1**	2 8
- LPI up to 2 5% (EEPS – service from 31 March 2006)	**2.3**	2 1

NOTES TO THE FINANCIAL STATEMENTS continued

43. Retirement benefit schemes continued

These assumptions are governed by IAS19 and do not reflect the assumptions used by the independent actuary in the triennial valuation as at 31 March 2004, which determined the Group's contribution rate for future years

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

The principal financial assumptions used to calculate the TFL liability under IAS 19 were as follows,

	31 December 2006 % p a.
Discount rate	5 1
Inflation assumption	3 1
Rate of increase in salaries	4 6
Rate of increase of pensions increases RPI	3.1

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 2003, which determined the Powerlink contribution rate for future years

When an individual ceases to be an active member of the EDF section of the TFL pension scheme, the obligation to provide the pension benefits is transferred from the EDF section of the scheme, to a public sector section of the scheme At the same time, there is an associated transfer of assets from the EDF section to the public sector section The defined benefit obligations of the EDF section of the TFL pension scheme have been measured under IAS 19 using the assumptions in the above table for the period prior to the transfer of obligations, and the actual assumptions used to determine the assets transferred at the point of the transfer of obligations

NOTES TO THE FINANCIAL STATEMENTS continued

43. 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 2006	EEPS 2006	TFL 2006	Total 2006	Total 2005
	£m	£m	£m	£m	£m
Present value of defined benefit obligations	(2,639 8)	(82 0)	(43 6)	**(2,765.4)**	(2,631 5)
Fair value of scheme assets	2,342 0	69 0	26 8	**2,437.8**	2,220 0
Deficit in scheme	(297 8)	(13 0)	(16 8)	**(327.6)**	(411 5)
Unrecognised actuarial losses	66 0	-	4 4	**70.4**	97 0
Liability recognised in the balance sheet	(231 8)	(13 0)	(12 4)	**(257.2)**	(314 5)

This amount is presented in pension liabilities The TFL amount is recoverable from LUL and is shown in note 27

The Company has an employee benefits reimbursement right asset connected to the TFL pension scheme This arises through the contractual obligation that London Underground Limited has with the Company to reimburse any payments that are required of the Company by the scheme that exceed a set annual contribution of 16 2% of the gross annual salaries of the EDF Energy Powerlink employees who are members of the scheme

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

GROUP	ESPS 2006	EEPS 2006	TFL 2006	Total 2006	Total 2005
	£m	£m	£m	£m	£m
Current service cost	36 0	21 0	2 0	**59.0**	43 0
Interest cost	119 0	3 0	0 4	**122.4**	121 0
Expected return on scheme assets	(146 0)	(3 0)	-	**(149.0)**	(133 0)
Actuarial losses	1 0	-	-	**1.0**	2 0
Commutation credit arising on change in pension scheme rules	(9 0)	-	-	**(9.0)**	-
Shortfall in respect of transfers in	-	-	-	-	8 0
Changes arising on curtailments/settlements	2 5	-	-	**2.5**	6 0
Pension Levy	(0 2)	-	-	**(0 2)**	-
Total operating cost	3 3	21 0	2 4	**26.7**	47 0

Of the charge for the year £53 3m (2005 - £59 2m) has been included in personnel costs and an income of £26 6m (2005 - £12 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 2006 was £70 4m (2005 £97 0m)

The costs of the TFL pension have all been recharged to London Underground Limited through the pension reimbursement rights asset (see note 27) and hence have no net impact on the profit and loss account

NOTES TO THE FINANCIAL STATEMENTS continued

43. Retirement benefit schemes continued

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

	ESPS 2006 £m	EEPS 2006 £m	TFL 2006 £m	Total 2006 £m	Total 2005 £m
At 1 January	2,569 5	62 0	41 2	**2,672.7**	2,303 0
Service cost	36 0	21 0	2 0	**59 0**	43 0
Changes arising on curtailments/settlements	2 5	-	-	**2.5**	6 0
Interest cost	119 0	3 0	0 4	**122.4**	121 0
Actuarial loss / (gain)	4 0	(10 0)	-	**(6.0)**	238 0
Obligation on transfers in	(3 0)	-	-	**(3.0)**	8 0
Commutation credit arising on change in pension scheme rules	(9 0)	-	-	**(9.0)**	-
Bulk transfers in	18 0	-	-	**18.0**	-
Pension Levy	(0 2)	-	-	**(0.2)**	-
Benefits paid	(97 0)	6 0	-	**(91 0)**	(87 5)
At 31 December	2,639 8	82 0	43 6	**2,765.4**	2,631 5

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

	ESPS 2006 £m	EEPS 2006 £m	TFL 2006 £m	Total 2006 £m	Total 2005 £m
At 1 January	2,174 0	46 0	22 8	**2,242 8**	1,875 0
Expected return on scheme assets	146 0	3 0	-	**149.0**	133 0
Actuarial gains and losses	22 0	1 0	2 2	**25.2**	222 0
Contributions by employer	79 0	13 0	1 8	**93.8**	77 5
Bulk transfers in	18 0	-	-	**18.0**	-
Benefits paid	(97 0)	6 0	-	**(91.0)**	(87 5)
At 31 December	2,342 0	69 0	26 8	**2,437.8**	2,220 0

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

	Expected return			Fair value of assets			
	ESPS EEPS 2006 %	TFL 2006 %	ESPS EEPS 2005 %	ESPS 2006 £m	EEPS 2006 £m	TFL 2006 £m	Total 2005 £m
Gilts	**4.5**	-	4 1	**935.0**	-	-	443 0
Equities	**8 2**	**8 2**	7 8	**1,136.0**	**35.0**	**15.5**	1,518 0
Property	**7.2**	-	6 8	**64.0**	-	-	58 0
Corporate bonds	**5.0**	**4.7**	4 5	**161.0**	**34.0**	**8.9**	179 0
Cash	**5.2**	-	4 6	**46 0**	-	-	22 0
Other	-	**4.6**	-	-	-	**2.4**	-
				2,342.0	**69.0**	**26.8**	2,220 0

NOTES TO THE FINANCIAL STATEMENTS continued

43. Retirement benefit schemes continued

The history of experience adjustments is as follows

	ESPS 2006 £m	EEPS 2006 £m	TFL 2006 £m	Total 2006 £m	Total 2005 £m	Total 2004 £m
Present value of defined benefit obligations	(2,639 8)	(82 0)	(43 6)	**(2,765.4)**	(2,631 5)	(2,303 0)
Fair value of scheme assets	2,342 0	69 0	26 8	**2,437.8**	2,220 0	1,875 0
Deficit in the scheme	(297 8)	(13 0)	(16 8)	**(327 6)**	(411 5)	(428 0)
Experience adjustments on scheme liabilities	4 0	(10 0)	-	**(6.0)**	(238 0)	(125 0)
Percentage of scheme liabilities (%)	0 2%	(12 2%)	-	**(0.2%)**	9 0%	5 4%
Experience adjustments on scheme assets	22 0	1 0	**2.2**	**25.2**	222 0	42 0
Percentage of scheme assets (%)	0 9%	1 4%	**8 2%**	**1.0%**	10 0%	2 2%

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £89m

In addition to the pension provision recognised, there is an additional amount of £5 4m (2005 £5 9m) included within trade and other payables (note 30) which relates to the unfunded pension scheme amounts

Pension disclosures relating to the Company are as follows

	ESPS 2006 £m	EEPS 2006 £m	Total 2006 £m	Total 2005 £m
Present value of defined benefit obligations	(133 8)	(30 4)	**(164.2)**	(151 3)
Fair value of scheme assets	118 2	27 0	**145.2**	123 4
Deficit in scheme	(15 6)	(3 4)	**(19.0)**	(27 9)
Unrecognised actuarial losses	0 8	1 1	**1.9**	8 5
Liability recognised in the balance sheet	(14 8)	(2 3)	**(17.1)**	(19 4)

This amount is presented in non-current liabilities

NOTES TO THE FINANCIAL STATEMENTS continued

43. Retirement benefit schemes continued

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

	ESPS 2006 £m	EEPS 2006 £m	Total 2006 £m	Total 2005 £m
Current service cost	5 6	3 5	**9.1**	3 5
Interest cost	5 7	1 3	**7.0**	6 7
Expected return on scheme assets	(6 9)	(1 3)	**(8.2)**	(7 3)
Actuarial losses	1 0	-	**1 0**	1 0
Shortfall in respect of transfers in	(1 5)	-	**(1.5)**	1 5
Changes arising on curtailments/settlements	2 4	-	**2.4**	0 4
Commutation credit arising on change in pension scheme rules	(1 0)	-	**(1.0)**	-
Total operating cost	5 3	3 5	**8.8**	5 8

Of the charge for the year £7 6m (2005 £6 4m) has been included in personnel costs and an income of £1 2m (2005 £0 6m) has been included in interest

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

	ESPS 2006 £m	EEPS 2006 £m	Total 2006 £m	Total 2005 £m
At 1 January	124 1	27 2	**151.3**	122 2
Service cost	5 6	3 5	**9.1**	3 5
Interest cost	5 7	1 3	**7.0**	6 7
Actuarial gains and losses	0 1	(4 3)	**(4.2)**	18 2
Obligation on transfers in	(0 5)	-	**(0.5)**	1 5
Bulk transfers in	2 1	-	**2.1**	0 4
Benefits (received)/ paid	(4 7)	2 7	**(2.0)**	-
Changes arising on curtailments/settlements	2 4	-	**2.4**	0 4
Deficit payments	-	-	-	(1 6)
Commutation credit arising on change in pension scheme rules	(1 0)	-	**(1.0)**	-
At 31 December	133 8	30 4	**164.2**	151 3

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

	ESPS 2006 £m	EEPS 2006 £m	Total 2006 £m	Total 2005 £m
At 1 January	103 4	20 0	**123.4**	100 9
Expected return on scheme assets	6 9	1 3	**8.2**	7 3
Actuarial gains and losses	1 1	0 4	**1.5**	11 5
Bulk transfers in	2 1	-	**2.1**	-
Contributions by employer	6 8	2 6	**9.4**	3 3
Benefits (received)/paid	(4 7)	2 7	**(2.0)**	0 4
Deficit payments	2 6	-	**2.6**	-
At 31 December	118 2	27 0	**145.2**	123 4

NOTES TO THE FINANCIAL STATEMENTS continued

43. Retirement benefit schemes contınued

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

	Expected return		Fair value of assets		
	2006	2005	**ESPS**	**EEPS**	2005
	%	%	**2006**	**2006**	
			£m	**£m**	£m
Gılts	**4.5**	4 5	**47.2**	**-**	21 1
Equıtıes	**8.2**	8 2	**57.3**	**13.7**	81 1
Property	**7.2**	7 2	**3.3**	**-**	2 8
Corporate bonds	**5.0**	5 0	**8.1**	**13.3**	17 4
Cash	**5.2**	5 0	**2.3**	**-**	1 0
			118.2	**27.0**	123 4

The hıstory of experıence adjustments ıs as follows

	ESPS	**EEPS**	**Total**	Total
	2006	**2006**	**2006**	2005
	£m	**£m**	**£m**	£m
Present value of defined benefit oblıgatıons	(133 8)	(30 4)	**(164.2)**	(151 3)
Faır value of scheme assets	118 2	27 0	**145.2**	123 4
Deficıt ın the scheme	(15 6)	(3 4)	**(19.0)**	(27 9)
Experıence adjustments on scheme lıabılıtıes	0 1	(4 3)	**(4.2)**	(18 2)
Percentage of scheme lıabılıtıes (%)	(0 1)%	14 1%	**2.6%**	12 3%
Experıence adjustments on scheme assets	1 1	0 4	**1 5**	11 5
Percentage of scheme assets (%)	0 9%	1 5%	**1.0%**	9 3%

The estımated amounts of contrıbutıons expected to be paıd to the scheme durıng the current financıal year ıs £13 8m

In addıtıon to the pensıon provısıon recognısed, there ıs an addıtıonal amount of £5 4m (2005 £5 9m) ıncluded wıthın trade and other payables (note 30) whıch relates to the unapproved pensıon scheme amounts

NOTES TO THE FINANCIAL STATEMENTS continued

44 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	**2006**	**97.1**	**(85.5)**	**24.0**	**(30.8)**
	2005	3 4	(82 0)	-	(2 6)
Joint ventures					
	2006	**-**	**-**	**2 0**	**-**
	2005	-	-	2 1	-
Transactions with other EDF SA group companies					
	2006	**-**	**(814.9)**	**102.4**	**(1,429.0)**
	2005	-	(296 1)	19 1	(81 7)
Finance lease commitments with other EDF SA group companies					
	2006	**-**	**(22.0)**	**-**	**(336 1)**
	2005	-	(11 5)	-	(349 1)

Details of transactions with the pension scheme are disclosed in note 43

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					
	2006	**3,991.8**	**(573.0)**	**1,770.8**	**(713.0)**
	2005	2,670 8	(230 1)	379 9	(6 2)
Transactions with other EDF SA group companies					
	2006	**-**	**(796 1)**	**102 3**	**(1,414 0)**
	2005	-	(296 2)	19 1	(79 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 (2005 - £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

44. Related parties continued

The Group and Company enter into derivative contracts at normal market prices with another EDF SA group company The total value of outstanding contracts reflected at fair value in the Group' and Company balance sheet was £453 7m (2005 £324 1m)

Transactions with key management personnel

GROUP and COMPANY	2006 £m	2005 £m
Short term benefits	**3.0**	2 5
Compensation for loss of office	**0.2**	-
Post employment benefits	**0.8**	0 2
	4.0	2 7

Key management personnel comprise members of the Board and the Executive Committee, a total of eight individuals at 31 December 2006 (2005 seven) The Executive Committee is a cross-branch committee of senior staff who take part in the decision-making for the Group During the year, an additional individual was appointed to the Executive Committee, and one individual was replaced

45. Parent undertaking and controlling party

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

At 31 December 2006, Electricité de France SA a company incorporated in France, is the Company's ultimate parent company and controlling party This is the largest and smallest 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