



EDF ENERGY (SOUTH EAST) PLC

Registered Number 2366867

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006



CONTENTS

Page:

2	Directors' report
4	Statement of Directors' responsibilities
5	Independent Auditors' report
7	Profit and loss account
8	Balance sheet
9	Notes to the financial statements

Directors

Vincent de Rivaz (resigned 31 July 2007)
Humphrey A E Cadoux-Hudson
Robert Ian Higson (appointed 31 July 2007)

Company Secretary

Robert Ian Higson

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 Company's principal activity during the year continued to be the provision of management services, property services and the holding of investments. It will continue in this activity for the foreseeable future.

Results and dividends

The loss for the year, before taxation, amounted to £0.3m (2005: £1.1m) and after taxation a profit of £9.8m (2005: £2.6m loss). The Directors do not recommend payment of a dividend (2005: £nil).

EDF Energy plc, an intermediate holding company, manages the Company and other subsidiaries' operations on a group basis. For this reason and as a result of the nature of this company the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of EDF Energy plc and its subsidiaries ("the Group") which includes the Company is discussed in the Group's Annual Report which does not form part of this report.

Directors and their interests

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

Vincent de Rivaz	(resigned 31 July 2007)
Humphrey A E Cadoux-Hudson	
Robert Ian Higson	(appointed 31 July 2007)

None of the Directors has a service contract with the Company. They are both employed by the parent company, EDF Energy plc, and have service contracts with that company.

There are no contracts of significance during or at the end of the financial year in which a Director of the Company was materially interested.

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

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Creditors payment policy

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

- agree the terms of payment with those creditors/suppliers when agreeing the terms of each transaction,
- ensure that those creditors/suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2006, the Company had an average of 15 days (2005: 64 days) purchases outstanding in its trade creditors.

DIRECTORS' REPORT Continued

Risk management

The Company considers its principal risk to arise from financial risk, being credit and liquidity risk

The Company's exposure to these risks is reduced as it is a 100% subsidiary of the EDF Energy Group of companies. Credit risk is mitigated by the nature of the debtor balances owed, with these due from other Group companies who are able to repay these if required and liquidity risk is mitigated by the financial support given by EDF Energy plc, a fellow Group company

The Company is not exposed to any significant currency or interest rate risk

The Group's risks are discussed within the Group's Annual report, which does not form part of this report

Disclosure of information to Auditors

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

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

Auditors

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

By order of the Board



Robert Higson
Company Secretary
Date

30 OCTOBER 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

United Kingdom company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY (SOUTH EAST) PLC

We have audited the financial statements of EDF Energy (South East) plc for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 are properly prepared in accordance with the Companies Act 1985. 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF EDF ENERGY (SOUTH EAST) PLC
Continued

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, 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

Date *31 October 2007*

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	<i>Notes</i>	2006 £m	2005 £m
Turnover	2	6 4	6 4
Administrative expenses		(7.0)	(10 0)
Operating loss	3	(0.6)	(3 6)
Profit on sale of fixed assets		0.2	2 4
Loss on ordinary activities before investment income, interest and taxation		(0 4)	(1 2)
Income from fixed asset investments	6	-	0 1
Interest receivable and similar income	7	0 1	-
Loss on ordinary activities before taxation		(0 3)	(1 1)
Tax on loss on ordinary activities	8	10.1	(1 5)
Retained profit/(loss) for the financial year	16	9.8	(2 6)

All results are from continuing operations

There are no recognised gains or losses arising in either year other than the result for that year

**BALANCE SHEET
AT 31 DECEMBER 2006**

	Notes	2006 £m	2005 £m
Fixed assets			
Tangible assets	9	20.4	26.3
Investments in subsidiary undertakings	10	919.4	919.4
Total fixed assets		939.8	945.7
Current assets			
Debtors amounts falling due within one year	11	54.0	63.4
Cash		228.0	227.8
		282.0	291.2
Creditors amounts falling due within one year	13	(933.5)	(958.1)
Net current liabilities		(651.5)	(666.9)
Total assets less current liabilities		288.3	278.8
Provisions for liabilities	14	(0.2)	(0.3)
Net assets excluding pension liability		288.1	278.5
Pension liability	17	(0.4)	(0.6)
Net assets including pension liability		287.7	277.9
Capital and reserves			
Called up share capital	15	125.9	125.9
Share premium account	16	7.8	7.8
Capital redemption reserve	16	6.8	6.8
Profit and loss account	16	147.2	137.4
Equity shareholder's funds	16	287.7	277.9

The financial statements on pages 7 to 22 were approved by the Board of Directors on 30 October 2007 and were signed on its behalf by



Humphrey A E Cadoux-Hudson
Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

1. Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

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

Cash flow statement

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of a group, headed by EDF Energy plc, whose consolidated accounts include a cash flow statement and are publicly available (note 20).

Consolidation

Consolidated financial statements have not been prepared, as the Company is exempt from the obligation to prepare consolidated financial statements under section 228(1) of the Companies Act 1985. Consolidated financial statements are prepared by the intermediate parent company EDF Energy plc, which include the results of the Company and its subsidiary undertakings and are publicly available (note 20).

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and provision for impairment. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Land	–	Not depreciated
Buildings	–	40 years
Fixtures and fittings	–	3 to 10 years

Investments

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

NOTES TO THE FINANCIAL STATEMENTS Continued

1. Accounting policies (continued)

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future, have occurred at the balance sheet date with the following exceptions

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, this is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses,
- provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over nor eliminated by capital losses, and
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted

Deferred tax is measured on an undiscounted basis

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis (note 18)

Rental income from an operating lease is recognised on a straight-line basis over the period of these leases, even if the payments are not made on such a basis

Pensions

Former employees of the Company participate in a number of Group-wide funded defined benefit pension arrangements, and the Company accounts for these schemes in accordance with FRS 17

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

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

NOTES TO THE FINANCIAL STATEMENTS Continued

2. Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activity of providing management services, property services and financial guarantees

3. Operating loss

	2006 £m	2005 £m
This operating loss for the year is stated after charging		
Depreciation of fixed assets - owned	0.5	0.7
Operating lease rentals - land and buildings	1.9	2.4

In 2006 an amount of £20,000 (2005 £19,365) was paid to Deloitte & Touche LLP for audit services. This charge was borne by another Group Company in the current and prior year. In 2006, amounts payable to Deloitte & Touche LLP by the Company in respect of non-audit services were £nil (2005 £nil).

Rental income under operating leases for the years ended 31 December 2006 amounts to £4.9m (2005 £4.9m) which is included within turnover.

4. Staff costs

	2006 £m	2005 £m
Wages and salaries	-	1.1
Pension costs	-	0.1
Severance costs	-	2.7
	-	3.9

From 1 September 2005, employees of EDF Energy (South East) plc were transferred to another Group company. As a result, the monthly average number of employees in the Company during the year was nil (2005 21). The Company receives a management charge for its share of resources employed by EDF Energy plc. The intercompany recharge in respect of wages and salaries, national insurance, severance costs and pensions totalled £1.8m for the year ended 31 December 2006 (2005 £1.3m).

5. Directors' emoluments

None of the Directors received any remuneration for services to the Company during the year or preceding year.

NOTES TO THE FINANCIAL STATEMENTS Continued

6 Income from fixed asset investments

	2006 £m	2005 £m
Income from fixed asset investments	-	0.1

7. Interest receivable and similar income

	2006 £m	2005 £m
Net return on pension scheme (note 17)	0.1	-

8. Tax on loss on ordinary activities

(a) Analysis of tax (credit)/charge in the year

UK current tax

	2006 £m	2005 £m
UK corporation tax (credit)/charge on loss for the year	(6.9)	0.6
Adjustment in respect of previous years	(3.1)	1.0
Total current tax (credit)/charge (note 8(b))	(10.0)	1.6

UK deferred tax

	2006 £m	2005 £m
Origination and reversal of timing differences	0.2	0.2
Adjustment in respect of previous years	(0.3)	(0.3)
Total deferred tax credit	(0.1)	(0.1)
Tax (credit)/charge on loss on ordinary activities	(10.1)	1.5

NOTES TO THE FINANCIAL STATEMENTS Continued

8. Tax on loss on ordinary activities (continued)

(b) Factors affecting tax (credit)/charge for the year

	2006 £m	2005 £m
The tax assessed for the period is higher (2005 lower) than the standard rate of corporation tax in the UK (30%)		
The differences are explained below		
Loss on ordinary activities before tax	(0.3)	(1.1)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK	(0.1)	(0.3)
Effect of		
Permanent differences	(6.6)	1.1
Capital allowances in excess of depreciation	(0.2)	(0.1)
Movement in pension liability	-	(0.1)
Adjustment in respect of previous years	(3.1)	1.0
Current tax (credit)/charge for the period	(10.0)	1.6

9. Tangible fixed assets

	Land and buildings £m	Fixtures and fittings £m	Total £m
Cost			
At 1 January 2006	36.4	0.1	36.5
Disposals	(6.5)	(0.1)	(6.6)
At 31 December 2006	29.9	-	29.9
Depreciation			
At 1 January 2006	10.1	0.1	10.2
Charge for the year	0.5	-	0.5
Disposals	(1.1)	(0.1)	(1.2)
At 31 December 2006	9.5	-	9.5
Net book value			
At 31 December 2006	20.4	-	20.4
At 31 December 2005	26.3	-	26.3

NOTES TO THE FINANCIAL STATEMENTS Continued

9. Tangible fixed assets (continued)

The net book value of land and buildings comprised

	2006 £m	2005 £m
Freehold - land	4.4	6 0
- buildings	15.9	20 2
Short leasehold	0.1	0 1
	20.4	26 3

Land and buildings held for use in operating leases were

	2006 £m	2005 £m
Cost	10.3	10 4
Accumulated depreciation	(3 2)	(3 0)
	7.1	7 4

10. Investments in subsidiary undertakings

	Total £000
Cost	
At 1 January 2006 and 31 December 2006	919.4

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

	Percentage of ordinary shares held	Principal activity
EDF Energy Networks (SPN) plc	100%	Electricity distribution
EDF Energy Contracting Limited *	100%	Electrical contracting
EDF Energy Powerlink Limited *	80%	Asset management
EDF Energy (South Eastern Services) Limited *	100%	Property management
SEEBOARD Trading Limited *	100%	Investment company
EDF Energy (Powerlink Holdings) Limited*	100%	Investment company
EDF Energy (Projects) Limited *	100%	Investment company
Islington Lighting Limited *	100%	Electrical contracting
Islington Lighting (Finance) Limited *	100%	Investment company
Ealing Lighting Limited *	100%	Electrical contracting
Ealing Lighting (Finance) Limited *	100%	Investment company
Dorset Lighting Limited *	100%	Electrical contracting
Dorset Lighting (Finance) Limited *	100%	Investment company
SEEBOARD Highway Lighting (No 2) Limited *	100%	Holding company

NOTES TO THE FINANCIAL STATEMENTS Continued

10. Investments in subsidiary undertakings (continued)

	Percentage of ordinary shares held	Principal activity
SEEBOARD Highway Lighting (No 3) Limited *	100%	Holding company
SEEBOARD Highway Lighting (No 4) Limited *	100%	Holding company
SEEBOARD Highway Services Limited *	100%	Holding company
EDF Energy (Development Branch) plc	100%	Holding company
EDF Energy (Asset Management) Limited *	100%	Investment company
EDF Energy (Metro Holdings) Limited *	100%	Investment company
SEEBOARD Employment Services Limited *	100%	Management company

*Investment held indirectly

The associates and joint ventures at 31 December 2006, which are incorporated in Great Britain and are registered and operate in England and Wales, are as follows

	Percentage of ordinary shares held	Principal activity
Power Asset Development Company Limited*	50%	Asset management
Metronet SSL Limited*	20%	Maintaining and renewing underground network
Metronet BCV Limited*	20%	Maintaining and renewing underground network
Metronet Alliance Limited (formerly Trans4m Limited)*	25%	Engineering contractor
SABCO – (unincorporated)*	50%	Maintaining railway lines
SOLVe – (unincorporated)*	50%	Maintaining and renewing street lighting
MUJV Limited *	49.9%	Dormant

*Investment held indirectly

11. Debtors: amounts falling due within one year

	2006 £m	2005 £m
Trade debtors	1.2	0.4
Other taxes and social security costs	0.1	0.8
Deferred tax asset (note 12)	0.5	0.4
Amounts owed by parent companies	32.8	32.2
Amounts owed by other Group companies	18.6	29.5
Prepayments and accrued income	1.0	0.1
Bad debt provision	(0.2)	-
	54.0	63.4

NOTES TO THE FINANCIAL STATEMENTS Continued

12. Deferred tax

The movements in the deferred tax asset during the year were as follows

	At 1 January 2006	Utilised during the year	At 31 December 2006
	£m	£m	£m
Deferred tax asset (note 10)	0.4	0.1	0.5
Deferred taxation against pension liability (note 16)	0.2	-	0.2
Total deferred tax asset	0.6	0.1	0.7

Deferred taxation provided in the financial statements is as follows

	2006 £m	2005 £m
Depreciation in excess of capital allowances	0.5	0.3
Other timing differences	-	0.1
Net deferred taxation recoverable (above)	0.5	0.4
Deferred taxation against pension liability (above)	0.2	0.2
Total deferred tax asset	0.7	0.6

13. Creditors: amounts falling due within one year

	2006 £m	2005 £m
Trade creditors	0.2	1.4
Amounts owed to parent companies	922.5	922.5
Amounts owed to other Group companies	0.4	13.6
Corporation tax (Group payments)	6.2	16.3
Other creditors	4.2	2.6
Other tax and social security costs	-	1.7
	933.5	958.1

Amounts owed to parent companies and amounts owed to other Group companies are non-interest bearing and repayable on demand

NOTES TO THE FINANCIAL STATEMENTS Continued

14 Provisions for liabilities

The movements in provisions during the current year are as follows

	At 1 January 2006 £m	Released during the year £m	At 31 December 2006 £m
Dilapidations provision	0.3	(0.1)	0.2

The provisions relate to delapidations on specific properties held by the Company

15 Share capital

Authorised

	2006 Number	2005 Number	2006 £m	2005 £m
Ordinary shares of £0.50 each	400,000,000	400,000,000	200.0	200.0

Allotted, called up and fully paid

	2006 Number	2005 Number	2006 £m	2005 £m
Ordinary shares of £0.50 each	251,693,703	251,693,703	125.9	125.9

16 Reconciliation of shareholder's funds and movement on reserves

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2005	125.3	7.8	6.8	140.0	279.9
Loss for the year	-	-	-	(2.6)	(2.6)
Issue of share capital	0.6	-	-	-	0.6
At 31 December 2005	125.9	7.8	6.8	137.4	277.9
Profit for the year	-	-	-	9.8	9.8
At 31 December 2006	125.9	7.8	6.8	147.2	287.7

EDF Energy (South East) plc issued an additional 1,200,000 shares in 2005 to another Group Company as settlement for intercompany balances. These shares were issued at nominal value (£0.6m).

NOTES TO THE FINANCIAL STATEMENTS Continued

17. Pension commitments

EDF Energy (South East) plc former employees participate in a number of group wide funded defined benefit pension arrangements, and the Company accounts for these schemes in accordance with FRS 17. The figures disclosed within these financial statements relate to the proportion of the scheme relating to EDF Energy (South East) plc former employees.

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 EDF Energy Group closed its non-ESPS pension arrangements (the London Electricity 1994 Retirement Plan, the Seeboard Final Salary Pension Plan, the Seeboard Pension Investment Plan, and the 24seven Group Personal Pension Plan) with effect from 29 February 2004. A new scheme, the EDF Energy Pension Scheme, a final salary arrangement, replaced these for future service from 1 March 2004. A special contribution of £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 latest full actuarial valuations of the EDF Energy Group of the ESPS was carried out by Hewitt, Bacon & Woodrow, consulting actuaries, as at 31 March 2004. The valuation was agreed on 15 December 2004, at the same time that a special contribution was agreed to fund the deficit over a 12-year period from 1 April 2005. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	31 December 2006 % p.a.	31 December 2005 % p a	31 December 2004 % p a
Discount rate	5.2	4.7	5.3
Inflation assumption	3.1	2.9	2.9
Rate of increase in salaries	4.1	3.9	3.9
Rate of increase of pensions increases			
- Full retail price indexation ("RPI")	3.1	2.9	2.9
- Limited price indexation ("RPI") up to 5% (EEPS – service to 31 March 2006)	3.1	2.9	2.9
- RPI up to 2.5% (EEPS – service from 31 March 2006)	2.3	2.1	-

These assumptions are governed by FRS 17 and do not reflect the assumptions used by the independent actuary in the triennial valuation as at 31 March 2004, which determined the Company's contribution rate for future years.

NOTES TO THE FINANCIAL STATEMENTS Continued

17. Pension commitments (continued)

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

	ESPS 2006 £m	EEPS 2006 £m	Total 2006 £m	Total 2005 £m	Total 2004 £m
Fair value of scheme assets	5.0	0.1	5.1	4.9	4.1
Present value of defined benefit obligations	(5.6)	(0.1)	(5.7)	(5.7)	(5.0)
Deficit in scheme	(0.6)	-	(0.6)	(0.8)	(0.9)
Related deferred tax asset	0.2	-	0.2	0.2	0.3
Liability recognised in the balance sheet	(0.4)	-	(0.4)	(0.6)	(0.6)

This amount is presented in pension liabilities

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

	ESPS 2006 £m	EEPS 2006 £m	Total 2006 £m	Total 2005 £m
Current service cost	-	-	-	0.1
Total operating cost	-	-	-	0.1

Analysis of the amounts credited to interest income

	ESPS 2006 £m	EEPS 2006 £m	Total 2006 £m	Total 2005 £m
Expected return on pension scheme assets	0.3	-	0.3	0.3
Interest on pension scheme liabilities	(0.2)	-	(0.2)	(0.3)
Net return on pension scheme	0.1	-	0.1	-

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

	ESPS 2006 £m	EEPS 2006 £m	Total 2006 £m	Total 2005 £m
Actual return less expected return on pension scheme assets	-	-	-	0.5
Changes in assumptions underlying the present value of the scheme liabilities	-	-	-	(0.5)
Actuarial loss	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS Continued

17 Pension commitments (continued)

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

	ESPS 2006 £m	EEPS 2006 £m	Total 2006 £m	Total 2005 £m
At 1 January 2006	(0.8)	-	(0.8)	(0.9)
Deficit payments	0.1	-	0.1	0.1
Current service cost	-	-	-	(0.1)
Contributions	-	-	-	0.1
Net finance income	0.1	-	0.1	-
Actuarial loss	-	-	-	-
At 31 December 2006	(0.6)	-	(0.6)	(0.8)

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				
	2006	2005	2004	ESPS 2006	EEPS 2006	Total 2006	Total 2005	Total 2004
	%	%	%	%	%	£m	£m	£m
Gilts	4.5	4.1	4.5	2.0	-	2.0	1.0	1.0
Equities	8.2	7.8	8.2	2.5	-	2.5	3.3	2.5
Property	7.2	6.8	7.2	0.1	-	0.1	0.1	0.3
Corporate bonds	5.0	4.5	5.0	0.3	0.1	0.4	0.4	0.3
Cash	5.2	4.6	5.0	0.1	-	0.1	0.1	-
Fair value of scheme assets				5.0	0.1	5.1	4.9	4.1

NOTES TO THE FINANCIAL STATEMENTS Continued

17. Pension commitments (continued)

History of experience gains and losses are as follows

	ESPS 2006 £m	EEPS 2006 £m	Total 2006 £m	Total 2005 £m	Total 2004 £m
Fair value of scheme assets	5.0	0.1	5.1	4.9	4.1
Present value of defined benefit obligations	(5.6)	(0.1)	(5.7)	(5.7)	(5.0)
Deficit in the scheme	(0.6)	-	(0.6)	(0.8)	(0.9)
Experience adjustments on scheme liabilities					
Amount (£m)	-	-	-	-	(0.1)
Percentage of scheme liabilities (%)	-%	-%	-%	-%	2.0%
Difference between the expected and actual return on scheme assets					
Amount (£m)	-	-	-	0.5	0.1
Percentage of scheme assets (%)	-%	-%	-%	10.2%	2.4%
Total amount recognised in statement of total recognised gains and losses					
Amount (£m)	-	-	-	-	(0.2)
Percentage of scheme liabilities (%)	-%	-%	-%	-%	4.0%

18. Other financial commitments and contingent liabilities

At 31 December 2006 the Company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2006 £m	Land and buildings 2005 £m
Operating leases which expire		
Within one year	0.1	-
In two to five years	0.3	0.3
In over five years	1.6	1.6
	2.0	1.9

19. Related parties

In accordance with FRS 8 'Related parties disclosures', the Company is exempt from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties, as it is a wholly-owned subsidiary of a parent which prepare consolidated financial statements which are publicly available (note 20)

NOTES TO THE FINANCIAL STATEMENTS Continued

20. Parent undertaking and controlling party

CSW Investments holds a 100% interest in EDF Energy (South East) plc and is considered to be the immediate parent company. EDF Energy plc heads the smallest group for which consolidated financial statements are prepared and include the results of the Company. Copies of that company's consolidated financial statements may be obtained from the registered office shown on page 1.

At 31 December 2005, Electricité de France SA, a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest 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.