EDF ENERGY POWERLINK LIMITED

Registered Number 3221818

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005

CONTENTS

Page:

Directors

Trevor J Gregory
Christopher Spencer
Arthur J Dalton
Paul D Northwood
Ian K Rylatt
Michael M B Ross
Stephen J Date
Kevin Morton
Paul Cuttill

Secretary

Nicholas R Zentner

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Registered Office

40 Grosvenor Place
Victoria
London
SW1X 7EN

DIRECTORS' REPORT

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

Principal activity and review of the business

The Company's principal activity during the year continued to be the maintenance, operation and renewal of electrical distribution and power generation equipment in respect of the London Underground Limited Power Service Contract. It will continue in this activity for the foreseeable future.

Results and dividends

The profit for the year, after taxation, amounted to £1,017,000 (2004: £2,251,000). The Company paid no dividend during the year (2004: £Nil).

Directors and their interests

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

Directors	
Trevor J Gregory	
Stuart K Leadill	(Resigned 8 February 2006)
Christopher Spencer	(Appointed 8 February 2006)
Brian J S Gray	(Resigned 4 November 2005)
Paul D Northwood	
Ian K Rylatt	
Maria H Maes	(Resigned 12 October 2006)
Arthur J Dalton	
Michael M B Ross	
Stephen J Date	
Kevin Morton	(Appointed 4 November 2005)
Paul Cuttill	(Appointed 12 October 2006)

The only Director to receive emoluments was Brian J S Gray, details of which are set out in note 4 to the accounts.

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.

Political and charitable contributions

During the year, the Company made various charitable contributions totalling £2,800 (2004: £20,200) and no political contributions.

DIRECTORS' REPORT

Creditors payment policy

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

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

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2005, the Company had an average of 24 days (2004 - 25 days) purchases outstanding in its trade creditors.

Employee involvement

The Company keeps its employees informed on matters affecting them relating to the EDF Energy Group. This is carried out in a number of ways, including formal and informal briefings, departmental meetings and regular reports in a staff newspaper and newsletters and Company intranet on current activities and progress. The Company operates an employee incentive bonus scheme which rewards staff when certain performance criteria are maintained at a given threshold. The Company recognises five trade unions and regular meetings are held to maintain a good working relationship.

Equal opportunities

The Company 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 Company 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.

Auditors

A resolution to re-appoint KPMG Audit Plc as auditors will be put to the members at the Annual General Meeting on 30 November 2006.

By order of the Board

N. Zentner

Nicholas R Zentner
Company Secretary
30 November 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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 POWERLINK LIMITED

We have audited the financial statements of EDF Energy Powerlink Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. 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 auditor's 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

As described in the Statement of Directors' Responsibilities on page 4, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY POWERLINK LIMITED Continued

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The breach of the contractual performance conditions during the year explained in note 1 to the financial statements indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
30 November 2006

8 Salisbury Square
London EC4Y 8BB

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £000	2004 restated £000
Turnover	2	**55,741**	50,855
Cost of sales		**(48,821)**	(41,188)
Gross profit		**6,920**	9,667
Administrative expenses		**(7,274)**	(8,081)
Operating (loss)/profit	3	**(354)**	1,586
Net interest receivable	6	**1,820**	1,647
Profit on ordinary activities before taxation		**1,466**	3,233
Tax on profit on ordinary activities	7	**(449)**	(982)
Profit for the financial year	14	**1,017**	2,251

All results are derived from continuing operations in both the current and preceding year. All activities relate to the same operational and geographic segment.

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

	Note	2005 £000	2004 restated £000
Profit for the year		**1,017**	2,251
Actuarial loss net of deferred tax on defined benefit pensions	16	**(203)**	(39)
Total recognised gain/(loss) relating to the year		**814**	(2,212)
Prior year adjustment	1	**(223)**	-
Total recognised gains and losses since last annual report		**591**	(2,212)

BALANCE SHEET
AT 31 DECEMBER 2005

	Note	2005 £000	2004 restated £000
Fixed assets			
Tangible assets	8	**681**	1,044
Current assets			
Stock	9	**2,344**	3,952
Pension reimbursement right asset	10	**18,430**	13,860
Other debtors	10	**26,253**	25,802
Cash		**38,733**	36,642
		85,760	80,256
Creditors: amounts falling due within one year	12	**(57,137)**	(57,616)
Net current assets		**28,623**	22,640
Total assets less current liabilities		**29,304**	23,684
Net assets excluding pension liability		**29,304**	23,684
Pension liabilities	16	**(18,895)**	(14,083)
Net assets including pension liability		**10,409**	9,601
Capital and reserves			
Called up share capital	13	**1,000**	1,000
Profit and loss account	14	**9,409**	8,601
Equity shareholders' funds		**10,409**	9,601

The accounts on pages 7 to 25 were approved by the Board of Directors on 30 November 2006 and were signed on its behalf by:

Director

PAUL COTTRELL.

Director

PAUL NORTHWOOD.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £000	2004 £000
Net cash inflow from operating activities	*19 (a)*	**1,312**	5,781
Returns on investments and servicing of finance			
Interest received		**1,883**	1,407
Interest paid		**(4)**	(4)
		1,879	1,403
Taxation			
Corporation tax		**(1,041)**	(1,936)
		(1,041)	(1,936)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(70)**	(126)
Receipts from sales of tangible fixed assets		**11**	-
		(59)	(126)
Increase in cash		**2,091**	5,122

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	Note	2005 £000	2004 £000
Movement in net cash	*19 (b)*	2,091	5,122
Net cash at 1 January		36,642	31,520
Net cash at 31 December	*19 (b)*	38,733	36,642

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the year and the preceding year with the exception of the policy for pensions and other post-retirements benefits which is explained under the headings 'Change in accounting policy' and 'Pensions' below and in Note 16.

Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom, except as explained below in Pensions.

Going concern

The Company is involved in ongoing contract negotiations with its sole customer, London Underground Limited ('LUL'), following breach of certain contractual performance conditions during the year ended 31 December 2005. This means that the customer has the right to terminate the contract with twelve months notice and furthermore means that the borrowing facilities extended to the Power Asset Development Company Limited ('PADCo' see Notes 19(b) and 20) may be called on demand by its lenders. If LUL were to exercise this right, this would cast significant doubt upon the Company's ability to continue as a going concern.

Negotiations are continuing with the customer and with the banking syndicate to resolve this situation. Whilst a satisfactory agreement in principle has now been reached with LUL, it is subject to approval by the banking syndicate. Following on from these negotiations with LUL the Company is anticipated to remain profitable for the foreseeable future.

The Directors have reviewed the position of the Company and as they currently have the expectation that the banking syndicate will approve the revised terms of agreement with LUL, they are of the opinion that it remains appropriate to prepare the financial statements on a going concern basis. However there can be no certainty in relation to this matter, which may cast significant doubt on the Company's ability to continue as a going concern. The Company may therefore be unable to continue realising its assets and discharging its liabilities in the normal course of business but the financial statements do not include any adjustments that would result from the termination of the contract with LUL.

Change in accounting policy

With effect from 1 January 2005 the Company changed its accounting policy for pensions and other post-retirement benefits by fully adopting FRS 17 'Retirement Benefits'. Accordingly, comparative figures have been restated for the Company.

For the Company, the impact on its profit on ordinary activities after taxation for the year ended 31 December 2005 was a reduction in profit of £52,000 (2004: additional profit £8,000) and the impact on shareholders' funds as at 31 December 2004 was a reduction of £223,000.

Long term contract

The contract between EDF ENERGY Powerlink Limited and London Underground Limited for the operation, maintenance and upgrade of London Underground Limited's electricity distribution system is accounted for as a long term contract, with turnover and profits being recognised in proportion to progress on defined segments of the contract.

The amounts of expenditure on long term contracts net of amounts transferred to cost of sales and payments on account are separately included within stock. To the extent invoices raised exceed turnover and long term contract balances they are included as payments received on account within creditors.

NOTES TO THE FINANCIAL STATEMENTS Continued

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, 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:

Motor vehicles	–	5 years
Equipment and fittings	–	4 to 5 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	Purchase cost on an average price basis
Work in progress and finished goods	Cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

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

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:

- 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.

Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a contract profile basis over the lease term, even if payments are not made on such a basis.

Pensions

The Company participates in a number of defined benefit pension schemes for the benefit of eligible employees. The amounts charged to the profit and loss account in respect of the schemes are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately the costs are recognised on a straight line basis 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

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 of 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.

An employee benefit reimbursement right asset is recognised at its fair value where the Company is entitled to reimbursement by a third party of all or part of any contributions required by the scheme to fund any deficit in the scheme. The Company has a reimbursement right asset through a contractual obligation on the part of London Underground Limited, as detailed in Note 16.

Changes in the fair value of the employee benefit reimbursement right asset are recognised immediately in the statement of total recognised gains to the extent that they relate to actuarial gains and losses in the defined benefit scheme to which the reimbursement right asset relates. This is a departure from the requirements of FRS 3 *Reporting Financial Performance*, which requires that gains and losses may be excluded from the profit and loss account only if they are specifically permitted or required to be taken directly to reserves by that or other accounting standards or, in the absence of a relevant accounting standard, by law. The departure is considered necessary to give a true and fair view as movements in the fair value of the employee benefit reimbursement right asset are closely associated with the actuarial gains and losses in the defined benefit scheme to which the reimbursement right asset relates and as noted above, such gains and losses on the scheme are recognised in the statement of total recognised gains and losses. The effect on the financial statements of this departure is to increase reported profit for the year by £4,450k (2004: £2,280k) with an equal and opposite impact on the statement of total recognised gains and losses . It has no effect on the net assets of the Company in either the current or the prior year.

2. Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activities of maintenance, operation and renewal of electrical distribution and power generation equipment in respect of the London Underground Limited Power Service Contract.

3. Operating (loss)/profit

This is stated after charging:		**2005** **£000**	2004 £000
Depreciation of owned fixed assets		**433**	819
Auditors' remuneration for audit services		**44**	45
Operating lease rentals	– plant and machinery	**19,204**	17,346

Amounts payable to KPMG Audit plc and their associates by the Company in respect of non-audit services were £37,000 (2004: £69,000).

NOTES TO THE FINANCIAL STATEMENTS Continued

4. Directors' emoluments

	2005 £000	2004 £000
Emoluments	53	92
Company contribution paid to defined benefits pension scheme	-	5

	2005 Number	2004 Number
Members of defined benefit pension scheme	1	1

Brian J S Gray was the only director to receive emoluments from the Company.

5. Staff costs

	2005 £000	2004 £000
Wages and salaries	12,265	11,557
Social security costs	1,138	1,059
Other pension costs (note 16)	1,464	1,260
	14,867	13,876

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

	2005 Number	2004 Number
Industrial	253	254
Administration	56	59
	309	313

There are EDF Energy plc employees seconded to EDF Energy Powerlink Limited whose salary costs are borne by EDF Energy plc and recharged to EDF Energy Powerlink Limited via an inter-business arrangement. These employees are included in the above disclosure.

6. Net interest receivable

	2005 £000	2004 £000
Interest receivable	1,814	1,613
Interest payable on bank loans and overdrafts	(4)	(4)
Other finance income on pension scheme (Note 16)	10	38
	1,820	1,647

NOTES TO THE FINANCIAL STATEMENTS Continued

7. Tax on profit on ordinary activities

a) Analysis of tax charge in the year

	2005 £000	2004 £000
UK current tax		
UK Corporation tax charge on profit for the year	**427**	1,032
Adjustment in respect of previous years	**9**	24
Total current tax charge (Note (b))	**436**	1,057
UK deferred tax		
Origination and reversal of timing differences	**13**	(65)
Adjustment in respect of prior years	**-**	(9)
Total deferred tax charge/(credit)	**13**	(74)
Tax charge on profit on ordinary activities	**449**	982

b) Factors affecting tax charge for the year:

	2005 £000	2004 £000
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%).		
The differences are explained below:		
Profit on ordinary activities before tax	**1,466**	3,233
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	**440**	967
Effect of:		
Capital allowances in excess of depreciation	**(13)**	-
Depreciation in excess of capital allowances	**-**	65
Adjustment in respect of previous years	**9**	24
Current tax charge for the period	**436**	1,056

NOTES TO THE FINANCIAL STATEMENTS Continued

8. Tangible fixed assets

	Motor vehicles £000	Equipment and fittings £000	Total **£000**
Cost			
At 1 January 2005	64	4,557	4,621
Additions	-	70	70
Disposals	(35)	-	(35)
At 31 December 2005	29	**4,627**	**4,656**
Depreciation			
At 1 January 2005	51	3,526	3,577
Charge for the year	3	430	433
Disposals	(35)	-	(35)
At 31 December 2005	**19**	**3,956**	**3,975**
Net book value			
At 31 December 2005	**10**	**671**	**681**
At 31 December 2004	13	1,031	1,044

9. Stocks

	2005 £000	2004 £000
Raw materials and consumables	**2,344**	2,182
Work in progress	**-**	1,770
	2,344	3,952

NOTES TO THE FINANCIAL STATEMENTS Continued

10. Debtors

	2005 £000	2004 £000
Pension reimbursement right asset	**18,430**	13,860
Other debtors :		
Trade debtors	**6,441**	6,283
Amounts owed by other group companies	**30**	504
Amounts owed by other related companies	**741**	806
Other debtors	**2,405**	1,370
Prepayments and accrued income	**16,421**	16,611
Deferred taxation recoverable (note 11)	**215**	228
Total other debtors	**26,253**	25,802
Debtors	**44,683**	39,662

Included in debtors is pension reimbursement right asset of £18,430,000 (2004 - £13,860,000 and deferred taxation recoverable of £215,000 (2004 - £228,000) which are due after more than one year.

11. Deferred taxation

Deferred taxation provided in the financial statements comprises the following:

	2005 £000	2004 £000
Depreciation in excess of capital allowances	**215**	228
	215	228

The movements in deferred taxation during the current year are as follows:

	2005 £000
At 1 January 2005	228
Charge for the year (note 7)	(13)
At 31 December 2005	**215**

NOTES TO THE FINANCIAL STATEMENTS Continued

12. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Payments received on account	**41,375**	45,683
Trade creditors	**1,602**	619
Amounts owed to other group companies	**2,802**	1,227
Amounts owed to related companies	**2,653**	3,010
Corporation tax payable	**441**	1,032
Accruals	**6,703**	5,311
Other creditors, including taxation and social security	**1,561**	734
	57,137	57,616

13. Share capital

Authorised:

	2005 Number	2004 Number	2005 £000	2004 £000
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10,000**	10,000

Allotted, called up and fully paid:

	2005 Number	2004 Number	2005 £000	2004 £000
Ordinary shares of £1 each	**1,000,000**	1,000,000	**1,000**	1,000

14. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Profit and loss account £000	**Shareholders funds £000**
At 1 January 2004 as previously reported	1,000	6,581	**7,581**
Prior year adjustment in respect of change of pension accounting policy	-	(192)	**(192)**
At 1 January 2004 as restated	1,000	6,389	**7,389**
Profit for the year	-	2,251	**2,251**
Actuarial gains/(losses) net of deferred tax on defined benefit pensions	-	(39)	**(39)**
At 31 December 2004 as restated	1,000	8,601	**9,601**
Profit for the year	-	1,017	**1,017**
Actuarial gains/(losses) net of deferred tax on defined benefit pensions	-	(209)	**(209)**
At 31 December 2005	1,000	9,409	**10,409**

NOTES TO THE FINANCIAL STATEMENTS Continued

15. Capital commitments

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

16. Pension arrangements

EDF Energy Powerlink Limited participates in three pension schemes as set out below, of which two are operated by EDF Energy plc and the third is operated by Transport for London ('TFL').

The principal pension schemes of EDF Energy plc are the EDF Energy Pension Scheme ('EEPS') and the EDF Energy Group section of the Electricity Supply Pension Scheme ('ESPS'). Both of these schemes are defined benefit schemes. On 1 September 2005, the EDF Energy Group section of the ESPS was created by the merger of EDF Energy's two ESPS Group sections, the London Electricity Group section of the ESPS and the SEEBOARD Group section of the ESPS. The London Electricity Group and SEEBOARD Group section of the ESPS closed to new employees in April 1994 and July 1995 respectively, following which, 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 non-ESPS pension schemes was a defined benefit scheme, whilst all the others are defined contribution schemes.

The EDF Energy Group closed its non-ESPS pension schemes (LERP, 24sevenGPP and the SEEBOARD Pension Investment 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. 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 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 contributes to the TFL scheme for those employees who were transferred to Powerlink under 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.

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 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. This reimbursement right asset is recognised in debtors. 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.

A full actuarial valuation of the TFL pension scheme was carried out by Watson Wyatt, consulting actuaries, as at 31 March 2003. On adoption of FRS 17, the results of this valuation were updated to 31 December 2003 and 31 December 2004. 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 FRS 17 liabilities at 31 December 2005.

The TFL pension scheme is closed to new entrants and so the service cost under the projected unit method is expected to increase as the members of the scheme approach retirement.

NOTES TO THE FINANCIAL STATEMENTS Continued

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

	31 December 2005 % p.a.	31 December 2004 % p.a.
Discount rate	**4.7**	5.3
Inflation assumption	**2.9**	2.9
Rate of increase in salaries	**3.9**	3.9
Rate of increase of pensions increases RPI	**2.9**	2.9

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

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

	31 December 2005 % p.a.	31 December 2004 % p.a.
Discount rate	**4.7**	**5.3**
Inflation assumption	**2.9**	**2.8**
Rate of increase in salaries	**4.4**	**4.3**
Rate of increase of pensions increases RPI	**2.9**	**2.8**

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 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 FRS 17 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.

The amount recognised in the balance sheet in respect of the defined benefit retirement benefit plans is as follows:

	TFL 2005	**ESPS 2005**	**EEPS 2005**	**Total 2005**	Total 2004 restated
	£000	**£000**	**£000**	**£000**	£000
Fair value of scheme assets	**22,940**	**1,594**	**1,100**	**25,634**	21,196
Present value of defined benefit obligations	**(41,370)**	**(1,869)**	**(1,489)**	**(44,728)**	(35,374)
Deficit in scheme	**(18,430)**	**(275)**	**(389)**	**(19,094)**	(14,178)
Related deferred tax asset	**-**	**83**	**116**	**199**	95
Liability recognised in the balance sheet	**(18,430)**	**(192)**	**(273)**	**(18,895)**	(14,083)

NOTES TO THE FINANCIAL STATEMENTS Continued

This amount is presented in pension liabilities. The TFL amount is recoverable from LUL and is shown in note 10.

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.

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

	TFL 2005 £000	**ESPS 2005 £000**	**EEPS 2005 £000**	**Total 2005 £000**	Total 2004 Restated £000
Current service cost	**1,131**	**17**	**313**	**1,461**	1,256
Changes arising on curtailments	**-**	**3**	**-**	**3**	4
Total operating cost	**1,131**	**20**	**313**	**1,464**	1,260

Amounts charged to the profit and loss account in respect of the TFL pension scheme are equal to 16.2% of gross annual salaries (£1,131k in 2005 and £968k in 2004).

Analysis of the amount credited to interest income:

	TFL 2005 £000	**ESPS 2005 £000**	**EEPS 2005 £000**	**Total 2005 £000**	Total 2004 Restated £000
Expected (return) on pension scheme assets	**(1,510)**	**(97)**	**(49)**	**(1,656)**	(1,483)
Interest on pension scheme liabilities	**1,750**	**87**	**49**	**1,886**	1,655
Net (return) on pension scheme	**240**	**(10)**	**-**	**230**	172

The expected return on the reimbursement asset for 2005 was £240k (2004:£210k) which offsets exactly the net financing charge of the TFL scheme.

NOTES TO THE FINANCIAL STATEMENTS Continued

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

	TFL 2005 £000	**ESPS 2005 £000**	**EEPS 2005 £000**	**Total 2005 £000**	Total 2004 Restated £000
Actual (gain) and loss less expected return on pension scheme assets	**(1,900)**	**(162)**	**(50)**	**(2,112)**	(304)
Experience (gains) and losses arising on scheme liabilities	**620**	**6**	**99**	**725**	755
Changes on (gains) and losses of assumptions underlying the present value of the scheme liabilities	**5,730**	**157**	**248**	**6,135**	1,884
Actuarial loss	**4,450**	**1**	**297**	**4,748**	2,335
Deferred tax	**-**	**-**	**(95)**	**(95)**	(16)
Actuarial loss after deferred tax	**4,450**	**1**	**202**	**4,653**	2,319

The actuarial gain on the reimbursement asset for 2005 was £4,450k (2004: £2,280k).

Movements in the schemes actuarial deficit in the current period were as follows:

	TFL 2005 £000	**ESPS 2005 £000**	**EEPS 2005 £000**	**Total 2005 £000**	Total restated 2004 £000
At 1 January	**(13,860)**	**(293)**	**(25)**	**(14,178)**	(11,714)
Current service cost	**(1,620)**	**(17)**	**(313)**	**(1,950)**	(1,748)
Curtailments	**-**	**(3)**	**-**	**(3)**	(4)
Contributions	**1,740**	**2**	**246**	**1,988**	1,795
Deficit payments	**-**	**27**	**-**	**27**	-
Net finance income	**(240)**	**10**	**-**	**(230)**	(172)
Actuarial gain/(loss)	**(4,450)**	**(1)**	**(297)**	**(4,748)**	(2,335)
At 31 December	**(18,430)**	**(275)**	**(389)**	**(19,094)**	(14,178)

London Underground have reimbursed £609k to the TFL scheme in 2005 (£562k 2004).

Movements in the TFL reimbursement right asset in the current period were as follows:

	2005 £000	Total restated 2004 £000
At 1 January	**13,860**	11,440
Other finance charge	**240**	210
Contributions	**(1,740)**	(1,530)
Current service cost	**1,620**	1,460
Actuarial gain	**4,450**	2,280
At 31 December	**18,430**	13,860

NOTES TO THE FINANCIAL STATEMENTS Continued

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

	Expected Return				Fair value of assets				
	2005 TFL %	**2004 TFL %**	**2005 ESPS/ EEPS %**	2004 ESPS/ EEPS %	**2005 TFL £000**	**2005 ESPS £000**	**2005 EEPS £000**	**Total for 2005**	2004 restated Total £000
Gilts	**-**	**-**	**4.1**	4.5	**-**	**325**	**-**	**325**	331
Equities	**8.1**	**8.1**	**7.8**	8.2	**14,850**	**1,096**	**550**	**16,496**	18,440
Property	**-**	**-**	**6.8**	7.2	**-**	**43**	**-**	**43**	99
Corporate bonds	**4.2**	**4.8**	**4.5**	5.0	**7,310**	**114**	**550**	**7,974**	2156
Cash	**4.4**	**4.3**	**4.6**	5.0	**780**	**16**	**-**	**796**	170
					22,940	**1,594**	**1,100**	**25,634**	21,196

History of experience gains and losses are as follows:

	TFL 2005 £000	**ESPS 2005 £000**	**EEPS 2005 £000**	**Total 2005 £000**	Total 2004 restated £000
Fair value of scheme assets	**22,940**	**1,594**	**1,100**	**25,634**	21,196
Present value of defined benefit obligations	**(41,370)**	**(1,869)**	**(1,489)**	**(44,728)**	(35,374)
Deficit in the scheme	**(18,430)**	**(275)**	**(389)**	**(19,094)**	(14,178)
Impact of actuarial gains and losses :					
Experience (gains) and losses on scheme liabilities:					
Amount (£000)	**620**	**(6)**	**(99)**	**(515)**	905
Percentage of scheme liabilities (%)	**1.5%**	**(0.3%)**	**(6.7%)**	**(1.2%)**	2.6%
(Gain) loss between the expected and actual return on scheme assets:					
Amount (£000)	**(1,900)**	**163**	**50**	**(1,687)**	(395)
Percentage of scheme assets (%)	**(8.3%)**	**10.2%**	**4.5%**	**(6.6%)**	(1.9%)
(Gain) loss on change of assumption					
Amount (£000)	**5,730**	**(157)**	**(248)**	**5,325**	1,716
Percentage of scheme liabilities (%)	**13.9%**	**(8.4%)**	**(16.7%)**	**11.9%**	4.9%

NOTES TO THE FINANCIAL STATEMENTS Continued

17. Contingent Liabilities

At the balance sheet date, the Company had no contingent liabilities other than amounts included in these financial statements.

18. Other financial commitments

At 31 December 2005 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2005 £000	**Other 2005 £000**	Land and buildings 2004 £000	Other 2004 £000
Operating leases which expire:				
Within one year	-	**3**	-	3
In two to five years	-	**42**	-	42
In over five years	-	**23,430**	-	20,547
	-	**23,475**	-	20,592

NOTES TO THE FINANCIAL STATEMENTS Continued

19. Notes to the cash flow statement

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

	2005	2004
	£000	£000
Operating (loss)/profit	(354)	1,586
Depreciation of tangible fixed assets	433	819
Profit on disposal of fixed assets	(11)	-
FRS17 pension adjustment	85	27
Decrease/(increase) in stocks	1,608	(2,446)
(Increase)/decrease in debtors	(534)	953
Increase in creditors	85	4,842
Net cash inflow from operating activities	1,312	5,781

(b) Analysis of net cash

	At 1 January 2005 £000	Cash flow 2005 £000	At 31December 2005 £000
Cash at bank and in hand	36,642	2,091	38,733

Out of the total cash balance of £38.7m (2004: £36.6m) an amount of £33.5m (2004: £29.8m) was held as a reserve balance in accordance with the banking covenants governing the project lending agreements which underpin the Power Service Contract with London Underground. These arrangements encompass both EDF Energy Powerlink Limited and Power Asset Development Company Limited, and provide that the secured borrowings of Power Asset Development Company Limited are secured on the assets and undertakings of EDF Energy Powerlink Limited and Power Asset Development Company Limited. This reserve balance is required under the project lending agreements to be held separately and can only be used for specific pre-defined authorised purposes, including to enable compliance with future loan repayment obligations and ongoing performance obligations.

20. Related parties

EDF Energy Powerlink Limited is a subsidiary of EDF Energy plc. During the year the Company was charged £5,224,000 (2004: £4,581,000) for materials, property and administration costs, by EDF Energy plc. During the year the Company charged EDF Energy plc £578,000 (2004: £429,000) for occupancy charges. At the year-end, the Company owed EDF Energy plc £712,000 (2004: £664,000) for these services.

A contract has been entered into with Power Asset Development Company Limited ('PADCo'), a joint venture Company of EDF Energy plc, for the design, construction, commissioning, maintenance and renewal of assets forming part of London Underground Limited's electricity distribution system. During the year, the Company was charged £19,204,000 (2004: £17,346,000) for the operating lease rental of network assets. This amount is stated after deferring £31,000 (2004: £1,815,000).

Under the terms of the contract with PADCo, the Company charged PADCo £1,982,000 (2004: £1,888,000) for maintaining the assets constructed by PADCo on its behalf. In addition an administration fee of £128,000 (2004: £138,000) has been charged for administrative costs incurred on PADCo's behalf.

At the year end, the Company owed PADCo £1,912,000 (2004: £2,231,000) which comprises creditors totalling £2,653,000 (2004: £2,991,000) and debtors totalling £741,000 (2004: £760,000)

NOTES TO THE FINANCIAL STATEMENTS Continued

21. Parent undertaking and controlling party

EDF Energy (Powerlink Holdings) Limited holds an 80% interest in EDF Energy Powerlink Limited and is considered to be the immediate parent Company. EDF Energy (Development Branch) plc is the smallest group for which consolidated accounts are prepared.

At 31 December 2005, Electricité de France ('EDF'), a Company incorporated in France, is regarded by the Directors as the Company's ultimate parent Company. 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.