EDF ENERGY (SERVICES) LIMITED

Registered Number 2228168

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006

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Directors

Humphrey A E Cadoux-Hudson
Paul A Cuttill

Secretary

Robert Ian Higson

Auditors

Deloitte & Touche LLP
Chartered Accountants
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 management of various electricity distribution systems It will continue in this activity for the foreseeable future The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year

The EDF Energy plc group manages its operations on a business segment basis For this reason, 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 the Other Networks Branch, which includes the Company, is discussed in the Group's Annual Report which does not form part of this Report

Results and dividends

The profit for the year, before taxation, amounted to £15,122,000 (2005 £11,276,000) and after taxation, to £8,691,000 (2005 £5,448,000) The Directors do not recommend payment of a dividend (2005 £Nil)

Directors and their interests

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

Humphrey A E Cadoux-Hudson	
Paul A Cuttill	(appointed 13 October 2006)
Brian J S Gray	(resigned 28 March 2006)
Maria H Maes	(resigned 12 October 2006)

None of the Directors has a service contract with the Company They are all 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

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

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 they ought to have taken as a Director in order to make themselves 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

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the directors consider relevant to this company are credit risk and liquidity risk

DIRECTORS' REPORT (continued)

Credit and liquidity risk

The Company's exposure to credit and liquidity risk 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 some of 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

Political and charitable contributions

During the year, the Company made various charitable contributions totalling £17,175 (2005 £17,443) and no political contributions (2005 £Nil)

Creditors payment policy

The Company's current policy concerning the payment of the majority 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 Company had an average of 3 days purchases outstanding in its trade creditors (2005 10 days)

Employees

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 in accordance with the appropriate legislation and Government guidelines 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

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting their employment and on the various factors affecting the performance of the Company

The Company's policies and procedures relating to Health and Safety at work continued to exceed the requirements of current legislation and are kept under constant review to ensure a safe and healthy working environment for all employees

Auditors

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

By order of the Board

Robert Ian Higson
Company Secretary

30 OCTOBER 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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 (SERVICES) LIMITED

We have audited the financial statements of EDF Energy (Services) Limited for the year ended 31 December 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 24 These financial statements have been prepared on the basis of 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 (SERVICES) LIMITED
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

31 October 2007

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER

	Note	2006 £000	2005 £000
Turnover	2	**54,018**	44,316
Gross profit		**54,018**	44,316
Distribution expenses		**(11,946)**	(9,433)
Administrative expenses		**(16,457)**	(14,014)
Operating profit on ordinary activities before interest and taxation	3	**25,615**	20,869
Interest receivable and similar income	7	**87**	36
Interest payable and similar charges	8	**(10,580)**	(9,629)
Profit on ordinary activities before taxation		**15,122**	11,276
Tax on profit on ordinary activities	9	**(6,431)**	(5,828)
Profit for the financial year	19	**8,691**	5,448

All results are derived from continuing operations in both the current and preceding year

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

	Note	2006 £000	2005 £000
Profit for the year		**8,691**	5,448
Actuarial profit/(loss) net of deferred tax on defined benefit pensions	19	**154**	(125)
Total gains since last annual report		**8,845**	5,323

The deferred tax charge reflected in the actuarial profit/(loss) net of deferred tax on defined benefit pensions amounted to £66k (2005 Deferred tax credit £53k)

BALANCE SHEET
AS AT 31 DECEMBER

	Note	2006 £000	2005 £000
Fixed assets			
Intangible assets	10	**745**	810
Tangible assets	11	**275,167**	243,887
Total fixed assets		**275,912**	244,697
Current assets			
Stocks	12	**666**	1,007
Debtors	13	**22,133**	11,916
Total current assets		**22,799**	12,923
Creditors: amounts falling due within one year	14	**(209,935)**	(172,849)
Net current liabilities		**(187,136)**	(159,926)
Total assets less current liabilities		**88,776**	84,771
Creditors: amounts falling due after more than one year	15	**(6,600)**	(17,179)
Provisions for liabilities and charges	17	**(32,036)**	(26,142)
Net assets excluding pension liability		**50,140**	41,450
Pension liability	21	**(929)**	(1,084)
Net assets including pension liability		**49,211**	40,366
Capital and reserves			
Called up share capital	18	**10,100**	10,100
Profit and loss account	19	**39,111**	30,266
Equity shareholder's funds	19	**49,211**	40,366

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

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 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 whose consolidated accounts include a cash flow statement and are publicly available

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Tangible fixed assets

The cost of individual tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition Cost includes staff costs where employees participate directly in the construction of 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 or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows

Operational assets		
Network assets excluding cable	–	Over 30 years
Cable	–	Over 50 years
Leasehold land and buildings	–	Shorter of lease term or 40 years
Non operational assets		
Fixtures and equipment	–	Over 5 years
Motor vehicles	–	Over 5 years
Software	–	Over 5 years
IT equipment	–	Over 3 years

Assets in the course of construction are not depreciated

NOTES TO THE FINANCIAL STATEMENTS Continued

1. Accounting policies continued

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

Work in progress
- Cost of direct materials and labour plus attributable overheads based on a normal level of activity

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

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

Long term contracts

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract

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, there 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

Leasing and hire purchase commitments

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

NOTES TO THE FINANCIAL STATEMENTS Continued

1 Accounting policies continued

Pensions

The Company operates a defined benefit pension scheme The amounts charged to the profit and loss account in respect of the scheme 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 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

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

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 the management of various electricity distribution systems

3. Operating profit

This is stated after charging	**2006 £000**	2005 £000
Depreciation of fixed assets – owned	**5,694**	5,386
Amortisation of goodwill	**65**	66
Operating lease rentals - other	**497**	767

In 2006 an amount of £25,710 (2005 £25,000) for audit services and £2,500 (2005 £Nil) for non-audit services (accounting advice) was payable to Deloitte and Touche LLP relating to the Company for the audit of the Company's statutory financial statements Auditors' remuneration was borne by another group Company in prior periods

4. Administrative expenses

Administrative expenses include the following

	2006 £000	2005 £000
Provision release for debtors owed by London Electricity Contracting ('LEC')	**-**	(593)
Provision release in relation to LEC DLR Lewisham extension costs	**-**	(799)
Provision release in relation to warranty and indemnity claims on sale of LEC	**-**	(610)

NOTES TO THE FINANCIAL STATEMENTS Continued

5. Directors' emoluments

All Directors are employees of EDF Energy plc and did not receive any remuneration for services to the Company during the year or preceding year

No directors (2005 none) held any interests in the shares or debentures of the Company or the EDF group that require disclosure under the Companies Act 1985

6. Staff costs

	2006 £000	2005 £000
Wages and salaries	**6,426**	5,782
Social security costs	**601**	557
Other pension costs	**893**	613
Less capitalised staff costs	**(498)**	(576)
	7,422	6,376

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

	2006 Number	2005 Number
Administration	**95**	62
Production	**63**	66
	158	128

7. Interest receivable and similar income

	2006 £000	2005 £000
Other finance income on pension scheme (note 21)	**87**	36

8. Interest payable and similar charges

	2006 £000	2005 £000
Interest due on loan from EDF Energy plc	**10,580**	9,629

NOTES TO THE FINANCIAL STATEMENTS Continued

9. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

UK current tax

	2006 **£000**	2005 £000
UK corporation tax charge on profit for the year	**2,064**	580
Adjustment in respect of previous years	**(1,527)**	(969)
Total current tax charge/(credit) (note 9(b))	**537**	(389)

UK deferred tax

	2006 **£000**	2005 £000
Origination and reversal of timing differences	**5,059**	4,918
Adjustment in respect of previous years	**835**	1,299
Total deferred tax charge	**5,894**	6,217
Total tax charge on profit on ordinary activities	**6,431**	5,828

(b) Factors affecting tax charge for the year

	2006 **£000**	2005 £000
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%)		
The differences are explained below		
Profit on ordinary activities before taxation	**15,122**	11,276
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	**4,537**	3,383
Effect of		
Disallowed expenses and non-taxable income	**2,566**	2,095
Capital allowances in excess of depreciation	**(5,059)**	(4,294)
Amortisation of goodwill	**20**	20
Movement in pension liability	**-**	(24)
Other deferred tax items	**-**	(600)
Adjustment in respect of prior years	**(1,527)**	(969)
Current tax charge for the year	**537**	(389)

NOTES TO THE FINANCIAL STATEMENTS Continued

10. Intangible fixed assets

Goodwill	2006 £000
Cost	
At 1 January and 31 December 2005	1,314
Amortisation	
At 1 January 2006	504
Charge for the year	65
At 31 December 2006	**569**
Net book value	
At 31 December 2006	**745**
At 31 December 2005	810

Goodwill is being amortised over a period of 20 years on a straight line basis

The Directors have reviewed the net book amount of goodwill at 31 December 2006 and in their opinion this amount is fully supported by their valuation of the underlying related net assets

11. Tangible fixed assets

	Network assets £000	Assets in the course of construction £000	Non-operational land and buildings £000	Fixtures & Equipment £000	**Total £000**
Cost					
At 1 January 2006	175,331	93,531	247	4,175	**273,284**
Additions	-	37,546	-	-	**37,546**
Transfers	5,724	(5,948)	-	224	**-**
Disposals	(942)	-	-	(38)	**(980)**
At 31 December 2006	**180,113**	**125,129**	**247**	**4,361**	**309,850**
Depreciation					
At 1 January 2006	26,957	-	247	2,193	**29,397**
Charge for the year	4,974	-	-	720	**5,694**
Transfers	-	-	-	-	**-**
Disposals	(382)	-	-	(26)	**(408)**
At 31 December 2006	**31,549**	**-**	**247**	**2,887**	**34,683**
Net book value					
At 31 December 2006	**148,564**	**125,129**	**-**	**1,474**	**275,167**
At 31 December 2005	148,374	93,531	-	1,982	243,887

12. Stocks

	2006 £000	2005 £000
Work in progress	**666**	1,007

NOTES TO THE FINANCIAL STATEMENTS Continued

13 Debtors

	2006 £000	2005 £000
Debtors: amounts falling due within one year		
Trade debtors	**315**	399
Amounts owed by other group companies	**6,739**	2,854
Other debtors	**26**	191
Prepayments and accrued income	**24**	36
	7,104	3,480
Debtors amounts falling due after more than one year		
Prepayments and accrued income	**15,029**	8,436
	22,133	11,916

14. Creditors amounts falling due within one year

	2006 £000	2005 £000
Bank overdraft	**172,435**	139,476
Borrowings (note 16)	**15,528**	15,228
Trade creditors	**387**	2,365
Other creditors	**135**	103
Amounts owed to other group companies	**4,136**	1,606
Amounts owed to EDF Energy plc	**4,675**	3,918
Other Taxation	**144**	153
Corporation taxation (Group payments)	**3,737**	3,199
Accruals and deferred income	**8,758**	6,801
	209,935	172,849

15 Creditors amounts falling due after more than one year

	2006 £000	2005 £000
Trade creditors	**-**	679
Borrowings (note 16)	**6,600**	16,500
	6,600	17,179

NOTES TO THE FINANCIAL STATEMENTS Continued

16. Borrowings

	2006 £000	2005 £000
Loans from EDF Energy plc	**22,128**	31,728

Maturity

Amounts repayable	2006 £000	2005 £000
In one year or less, or on demand	**15,528**	15,228
	15,528	15,228
In more than one year but not more than two years	**6,600**	9,900
In more than two years but not more than five years	**-**	6,600
	6,600	16,500
	22,128	31,728

As at 31st December 2006 there were two loans from EDF Energy plc, one amounting to £5,628,000 repayable on demand, the other amounting to £16,500,000 repayable as to £9,900,000 in 2007 and £6,600,000 in 2008 The interest rate on both loans is 8 25% p a

17. Provisions for liabilities and charges

The movements in provisions during the current year are as follows

	At 1 January 2006	Arising during the year	At 31 December 2006
	£000	£000	**£000**
Provision re Sale of LEC	437	-	**437**
Deferred tax	25,705	5,894	**31,599**
	26,142	5,894	**32,036**

The provision in relation to LEC relates to outstanding contractual obligations, following the sale of that company The provision is expected to be utilised within one year

Deferred taxation provided in the financial statements is as follows

	2006 £000	2005 £000
Accelerated capital allowances	**31,719**	25,825
Other timing differences	**(120)**	(120)
Provision for deferred tax	**31,599**	25,705

NOTES TO THE FINANCIAL STATEMENTS Continued

17. Provisions for liabilities and charges continued

The movements in deferred taxation are as follows

	At 1 January 2006	Profit and loss account £000	Statement of total recognised gains and losses £000	**At 31 December 2006 £000**
Provision for deferred tax	25,705	5,894	-	**31,599**
Deferred tax shown against pension liability	(465)	-	66	**(399)**
	25,240	5,894	66	**31,200**

18. Share capital

Authorised

	2006 Number	2005 Number	**2006 £000**	2005 £000
Ordinary shares of £1 each	**15,000,000**	15,000,000	**15,000**	15,000

Allotted, called up and fully paid

	2006 Number	2005 Number	**2006 £000**	2005 £000
Ordinary shares of £1 each	**10,100,000**	10,100,000	**10,100**	10,100

19 Reconciliation of shareholder's funds and movement on reserves

	Share capital £000	Profit and loss account £000	**Total share-holder's funds £000**
At 1 January 2005	10,100	24,943	**35,043**
Profit for the year	-	5,448	**5,448**
Actuarial losses net of deferred tax on defined benefit pensions	-	(125)	**(125)**
At 31 December 2005	10,100	30,266	**40,366**
Profit for the year	-	8,691	**8,691**
Actuarial gains net of deferred tax on defined benefit pensions	-	154	**154**
At 31 December 2006	**10,100**	**39,111**	**49,211**

20. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £71,691,000 (2005 £78,774,000)

NOTES TO THE FINANCIAL STATEMENTS Continued

21. Pension arrangements

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 £2 million was made to the EDF Energy Pension Scheme at inception, and the regular ongoing employer's contribution has been assessed as 10% of pensionable pay This contribution rate will be reviewed as a result of future actuarial valuations

The 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 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 Group's contribution rate for future years

The principal financial assumptions used to calculate the ESPS and EEPS liabilities under FRS 17 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 RPI	3 1	2 9

NOTES TO THE FINANCIAL STATEMENTS Continued

21. Pension arrangements continued

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

	ESPS 2006 £000	EEPS 2006 £000	**Total 2006 £000**	Total 2005 £000
Fair value of scheme assets	7,778	1,140	**8,918**	7,698
Present value of defined benefit obligations	(8,900)	(1,346)	**(10,246)**	(9,247)
Deficit in scheme	(1,122)	(206)	**(1,328)**	(1,549)
Related deferred tax asset	337	62	**399**	465
Liability recognised in the balance sheet	**(785)**	**(144)**	**(929)**	**(1,084)**

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

	ESPS 2006 £000	EEPS 2006 £000	**Total 2006 £000**	Total 2005 £000
Current service cost	463	488	**951**	363
Commutation	(79)	-	**(79)**	-
Changes arising on curtailments	-	-	-	27
Total operating cost	**384**	**488**	**872**	**390**

Analysis of the amount credited to interest income

	ESPS 2006 £000	EEPS 2006 £000	**Total 2006 £000**	Total 2005 £000
Expected return on pension scheme assets	478	42	**520**	452
Interest on pension scheme liabilities	(391)	(42)	**(433)**	(416)
Net return on pension assets	**87**	**-**	**87**	**36**

NOTES TO THE FINANCIAL STATEMENTS Continued

21 Pension arrangements continued

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

	ESPS 2006 £000	EEPS 2006 £000	Total 2006 £000	Total 2005 £000
Actual return less expected return on pension scheme assets	72	14	86	743
Experience gains and losses arising on scheme liabilities	-	(14)	(14)	(80)
Changes in assumptions underlying the present value of the scheme liabilities	(7)	155	148	(841)
Actuarial profit/(loss)	65	155	220	(178)
Deferred tax	(20)	(46)	(66)	53
Actuarial profit/(loss) net of deferred tax	45	109	154	(125)

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

	ESPS 2006 £000	EEPS 2006 £000	Total 2006 £000	Total 2005 £000
At 1 January	(1,326)	(223)	(1,549)	(1,450)
Current service cost	(463)	(488)	(951)	(363)
Commutation	79	-	79	-
Curtailments	-	-	-	(27)
Contributions	291	350	641	324
Deficit payments	145	-	145	109
Net finance income	87	-	87	36
Actuarial gain	65	155	220	(178)
At 31 December	(1,122)	(206)	(1,328)	(1,549)

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			
	2006 %	2005 %	ESPS 2006 £000	EEPS 2006 £000	Total 2006 £000	Total 2005 £000
Gilts	4.5	4 1	3,105	-	3,105	1,432
Equities	8.2	7 8	3,772	579	4,351	5,169
Property	7 2	6 8	213	-	213	188
Corporate bonds	5.0	4 5	535	561	1,096	838
Cash	5.2	4 6	153	-	153	71
			7,778	1,140	8,918	7,698

NOTES TO THE FINANCIAL STATEMENTS Continued

21. Pension arrangements continued

History of experience gains and losses are as follows

	ESPS 2006 £000	EEPS 2006 £000	Total 2006 £000	Total 2005 £000	Total 2004 £000
Fair value of scheme assets	7,778	1,140	8,918	7,760	7,698
Present value of defined benefit obligations	(8,900)	(1,346)	(10,246)	(9,309)	(9,247)
Deficit in scheme	(1,122)	(206)	(1,328)	(1,549)	(1,549)
Experience gains and losses on scheme liabilities					
Amount (£000)	-	(14)	(14)	(80)	9
Percentage of scheme liabilities (%)	-	1 0%	0.1%	(0 9%)	0 1%
Difference between the expected and actual return on scheme assets					
Amount (£000)	72	14	86	743	117
Percentage of scheme assets (%)	0 9%	1 2%	1.0%	9 6%	1 8%
Total amount recognised in statement of total recognised gains and losses					
Amount (£000)	65	155	220	(178)	(221)
Percentage of scheme liabilities (%)	(0.7%)	(11.5%)	(2.1%)	(1 9%)	(2 8%)

22. Other financial commitments

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

	Land and buildings 2006 £000	Other 2006 £000	Land and buildings 2005 £000	Other 2005 £000
Operating leases which expire				
Within one year	30	34	-	32
In two to five years	-	157	43	149
In over five years	538	56	454	-
	568	247	497	181

23 Related parties

In accordance with FRS 8 'Related party 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 prepares consolidated accounts which are publicly available

NOTES TO THE FINANCIAL STATEMENTS Continued

24. Parent undertaking and controlling party

EDF Energy plc holds a 100% interest in EDF Energy (Services) Limited and is considered to be the immediate parent company EDF Energy plc heads the smallest group for which consolidated accounts are prepared which include the results of the Company

At 31 December 2006, Electricité de France SA ('EDF'), 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 financial statements may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France