EDF ENERGY (SOUTH EAST) PLC

Registered Number 2366867

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005

CONTENTS

Page:

Directors

Humphrey A E Cadoux-Hudson
Vincent de Rivaz

Company Secretary

Robert Ian Higson

Auditors

Deloitte & Touche LLP
London

Registered Office

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Victoria
London
SW1X 7EN

DIRECTORS' REPORT

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

Principal activity and review of the business

The Company's principal activity during the year continued to be the provision of management services, property services, financial guarantees 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 £1.1m (2004 restated: profit of £9.9m) and after taxation a loss of £2.6m (2004 restated: profit of £12.5m). The Directors do not recommend payment of a dividend (2004: £nil).

Directors and their interests

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

Vincent de Rivaz
Humphrey A E Cadoux-Hudson

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.

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 2005, the Company had an average of 26 days (2004 - 7 days) purchases outstanding in its trade creditors.

DIRECTORS' REPORT Continued

Financial risk

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

The Company's exposure to liquidity risk is reduced as it is a 100% subsidiary of the EDF Energy Group of Companies. EDF Energy plc, a fellow Group company, has agreed to continue to support the Company financially.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Humphrey Cadoux-Hudson
Director
10 October 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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; 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 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 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes numbered 1 to 22. 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 annual report and 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 United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, 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 United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its loss for the year then ended; and

- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
10 October 2006

Deloitte & Touche LLP

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2005 £m	Restated 2004 £m
Turnover	2	**6.4**	9.2
Administrative expenses		**(10.0)**	(10.6)
Operating loss	3	**(3.6)**	(1.4)
Profit on sale of fixed assets	6	**2.4**	11.4
(Loss)/profit on ordinary activities before investment income, interest and taxation		**(1.2)**	10.0
Income from fixed asset investments	7	**0.1**	1.3
Interest receivable and similar income	8	**-**	0.1
Interest payable and similar charges	9	**-**	(1.5)
(Loss)/profit on ordinary activities before taxation		**(1.1)**	9.9
Tax on (loss)/profit on ordinary activities	10	**(1.5)**	2.6
Retained (loss)/profit for the financial year	17	**(2.6)**	12.5

All results are from continuing operations.

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

	Notes	2005 £m	Restated 2004 £m
Retained (loss)/profit for the financial year		**(2.6)**	12.5
Actuarial loss net of deferred tax on defined benefit pensions	18	**-**	(0.2)
Total recognised (loss)/gain relating to the year		**(2.6)**	12.3
Prior-year adjustment: Adoption of FRS17: Retirement benefits	19	**7.8**	
Total recognised gains and losses since last annual report and financial statements		**5.2**	

The deferred tax credit reflected in the actuarial loss net of deferred tax on defined benefit pensions, amounted to £7,003 (2004: £71,422).

BALANCE SHEET
AT 31 DECEMBER

	Notes	2005 £m	Restated 2004 £m
Fixed assets			
Tangible assets	11	**26.3**	32.5
Investments in subsidiary undertakings	12	**919.4**	13.6
Total fixed assets		**945.7**	46.1
Current assets			
Debtors falling due within one year	13	**63.4**	68.8
Cash		**227.8**	244.1
		291.2	312.9
Creditors: amounts falling due within one year	14	**(958.1)**	(78.1)
Net current (liabilities)/assets		**(666.9)**	234.8
Total assets less current liabilities		**278.8**	280.9
Provisions for liabilities	15	**(0.3)**	(0.4)
Net assets excluding pension liability		**278.5**	280.5
Pension liability	18	**(0.6)**	(0.6)
Net assets including pension liability		**277.9**	279.9
Capital and reserves			
Called up share capital	16	**125.9**	125.3
Share premium account	17	**7.8**	7.8
Capital redemption reserve	17	**6.8**	6.8
Profit and loss account	17	**137.4**	140.0
Equity shareholder's funds	17	**277.9**	279.9

The financial statements on pages 6 to 22 were approved by the Board of Directors on 10 October 2006 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, except for the change in accounting policy regarding pensions following adoption of FRS 17 "Retirement Benefits" in the year. Certain comparatives have been restated due to the change in accounting policy as described in note 19.

In addition, the Company has adopted the requirements of FRS 21, *Events after the balance sheet date,* FRS 22 *Earnings per share*, FRS 28 *Corresponding amounts* and the disclosure requirements of FRS 25, *Financial Instruments, disclosure and measurement*, as applicable to a non-listed company. No restatements have arisen as a result of the adoption of these standards.

Basis of preparation

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

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 Electricité de France SA, whose consolidated accounts include a cash flow statement and are publicly available (see note 22).

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 ultimate parent company Electricité de France SA, which include the results of the Company and its subsidiary undertakings and are publicly available (see note 22).

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.
- 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 (see note 20).

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

Pensions

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

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.

NOTES TO THE FINANCIAL STATEMENTS Continued

3. Operating loss

This operating loss for the year is stated after charging:	**2005 £m**	2004 £m
Depreciation of fixed assets - owned	**0.7**	2.0
Operating lease rentals - land and buildings	**2.4**	2.5

The audit fee was borne by another Group company in both years. In 2005, amounts payable to Deloitte & Touche LLP by the Company in respect of non-audit services were £nil (2004: £nil).

Rental income under operating leases for the years ended 31 December 2005 amounts to £4.9m (2004: £5.1m) which is included within turnover.

4. Staff costs

	2005 £m	Restated 2004 £m
Wages and salaries	**1.1**	0.5
Pension costs	**0.1**	0.1
Severance costs	**2.7**	4.3
	3.9	4.9

From 1 September 2005, employees of EDF Energy (South East) plc were transferred to another Group company. The monthly average number of employees in the Company during the year was 21 (2004: 46). The Company receives a management charge for its share of resources employed by EDF Energy plc. The management charge in respect of wages and salaries, national insurance, severance costs and pensions totalled £1.3m for the four month period ended 31 December 2005.

5. Directors' emoluments

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

6. Profit on sale of fixed assets

	2005 £m	2004 £m
Sales proceeds	**7.9**	13.4
Net book value	**(5.5)**	(2.0)
	2.4	11.4

NOTES TO THE FINANCIAL STATEMENTS Continued

7. Income from fixed asset investments

	2005 £m	2004 £m
Income from fixed asset investments	0.1	1.3

8. Interest receivable and similar income

	2005 £m	Restated 2004 £m
Net return on pension scheme (Note 18)	-	0.1

9. Interest payable and similar charges

	2005 £m	2004 £m
Interest payable on loans from other Group companies	-	1.5

10. Tax on (loss)/profit on ordinary activities

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

UK current tax

	2005 £m	2004 £m
UK corporation tax charge on profit for the year	0.6	2.3
Adjustment in respect of previous years	1.0	(4.0)
Total current tax charge/(credit) (Note (b))	1.6	(1.7)

UK deferred tax

	2005 £m	Restated 2004 £m
Origination and reversal of timing differences	0.2	0.3
Adjustment in respect of previous years	(0.3)	(1.2)
Total deferred tax credit	(0.1)	(0.9)
Tax charge/(credit) on profit on ordinary activities	1.5	(2.6)

NOTES TO THE FINANCIAL STATEMENTS Continued

10. Tax on (loss)/profit on ordinary activities (continued)

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

	2005 £m	Restated 2004 £m
The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%).		
The differences are explained below:		
(Loss)/profit on ordinary activities before tax	**(1.1)**	9.9
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK:	**(0.3)**	3.0
Effect of:		
Permanent differences	**1.1**	-
Non-deductible expenditure	**-**	(0.4)
Non-taxable income	**-**	-
Capital allowances lower than depreciation	**(0.1)**	(0.3)
Movement in pension liability	**(0.1)**	-
Adjustment in respect of previous years	**1.0**	(4.0)
Current tax charge/(credit) for the period	**1.6**	(1.7)

11. Tangible fixed assets

	Land and buildings £m	Fixtures and fittings £m	Total £m
Cost			
At 1 January 2005	37.1	6.2	**43.3**
Disposals	(0.7)	(6.1)	**(6.8)**
At 31 December 2005	**36.4**	***0.1***	**36.5**
Depreciation			
At 1 January 2005	9.6	1.2	**10.8**
Charge for the year	0.6	0.1	**0.7**
Disposals	(0.1)	(1.2)	**(1.3)**
At 31 December 2005	**10.1**	**0.1**	**10.2**
Net book value			
At 31 December 2005	**26.3**	**-**	**26.3**
At 31 December 2004	27.5	5.0	32.5

NOTES TO THE FINANCIAL STATEMENTS Continued

11. Tangible fixed assets (continued)

The net book value of non-network land and buildings comprised:

	2005 £m	2004 £m
Freehold - land	**6.0**	8.3
- buildings	**20.2**	19.1
Short leasehold	**0.1**	0.1
	26.3	27.5

Land and buildings held for use in operating leases were:

	2005 £m	2004 £m
Cost	**10.4**	10.4
Accumulated depreciation	**(3.0)**	(2.8)
	7.4	7.6

12. Investments in subsidiary undertakings

	Shares £m
At 1 January 2005	**13.6**
Additions	**919.3**
Disposals	**(13.5)**
At 31 December 2005	**919.4**

During the year, the EDF Energy Group undertook a group restructuring. As a result of this restructuring, EDF Energy (South East) plc purchased additional investments of £919,300,000 and disposed of investments in subsidiaries totalling £13,530,017. Investments were purchased and sold at their carrying value and hence no gain or loss arose on disposal.

NOTES TO THE FINANCIAL STATEMENTS Continued

12. Investments in subsidiary undertakings (continued)

The principal undertakings at 31 December 2005, which are incorporated in Great Britain and are registered and operate in England and Wales (unless otherwise stated), are as follows:

	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 (formerly SEEBOARD 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
SEEBOARD Highway Lighting No 2 Limited *	100%	Holding company
SEEBOARD Highway Services Limited *	100%	Holding company
EDF Energy (Development Branch) plc (formerly Seeboard Group 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 2005, 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
Trans4m Limited*	25%	Engineering contractor
SABCO – (unincorporated)*	50%	Maintaining railway lines
SOLVe – (unincorporated)*	50%	Maintaining and renewing street lighting

*Investment held indirectly

NOTES TO THE FINANCIAL STATEMENTS Continued

13. Debtors: amounts falling due within one year

	2005 £m	Restated 2004 £m
Trade debtors	**0.4**	0.1
Other taxes and social security costs	**0.8**	1.8
Deferred tax asset (see note 15)	**0.4**	0.2
Amounts owed by other parent companies	**32.2**	28.1
Amounts owed by other Group companies	**29.5**	36.8
Prepayments and accrued income	**0.1**	0.7
Other debtors	**-**	1.1
	63.4	68.8

14. Creditors: amounts falling due within one year

	2005 £m	Restated 2004 £m
Trade creditors	**1.4**	1.4
Amounts owed to other parent companies	**922.5**	3.2
Amounts owed to other Group companies	**13.6**	49.6
Corporation tax (Group payments)	**16.3**	21.2
Other creditors	**2.6**	1.9
Other tax and social security costs	**1.7**	-
Accruals	**-**	0.8
	958.1	78.1

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

NOTES TO THE FINANCIAL STATEMENTS Continued

15. Provisions for liabilities

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

	At 1 January 2005 £m	Released during the year £m	**At 31 December 2005 £m**
Onerous leases	0.3	-	**0.3**
Other	0.1	(0.1)	**-**
	0.4	(0.1)	**0.3**

The provision for onerous contract represents the difference between the contracted rental income from a property until the break clause date and the amounts payable by the Company for the property under its existing contract.

The movements in the deferred tax asset (see note 13) during the year were as follows:

	Restated 2004 £m	Arising during the year 2005 £m	2005 £m
Deferred tax asset	0.2	0.2	0.4
Deferred taxation against pension liability	0.3	(0.1)	0.2
Total deferred tax	0.5	0.1	0.6

Deferred taxation provided in the financial statements is as follows:

	2005 £m	2004 £m
Depreciation in excess of capital allowances	**0.3**	-
Other timing differences	**0.1**	0.2
	0.4	0.2

NOTES TO THE FINANCIAL STATEMENTS Continued

16. Share capital

Authorised

	2005 Number	2004 Number	2005 £m	2004 £m
Ordinary shares of £0.50 each	**400,000,000**	400,000,000	**200.0**	200.0

Allotted, called up and fully paid

	2005 Number	2004 Number	2005 £m	2004 £m
Ordinary shares of £0.50 each	**251,693,703**	250,493,703	**125.9**	125.3

EDF Energy South East plc issued an additional 1,200,000 shares to another Group company as settlement for intercompany balances. These shares were issued at nominal value.

17. 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 2004 as published	125.3	7.8	6.8	124.7	**264.6**
Prior-year adjustment (note 19)	-	-	-	3.0	**3.0**
At 1 January 2004 as restated	125.3	7.8	6.8	127.7	**267.6**
Profit for the year restated (note 19)	-	-	-	12.5	**12.5**
Actuarial loss net of deferred tax on defined pension benefits	-	-	-	(0.2)	**(0.2)**
At 31 December 2004 (restated)	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**

18. Pension commitments

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 FRS17.

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 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. The regular ongoing employer's contribution has been assessed as 10% of pensionable pay, and this contribution rate will be reviewed as a result of future actuarial valuations.

NOTES TO THE FINANCIAL STATEMENTS Continued

18. Pension commitments (continued)

The latest full actuarial valuation 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 2005 % p.a.	Restated 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 in pensions in payment	**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 Company's contribution rate for future years.

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

	ESPS 2005 £m	EEPS 2005 £m	**2005 £m**	Restated 2004 £m
Fair value of scheme assets	4.8	0.1	**4.9**	4.1
Present value of defined benefit obligations	(5.6)	(0.1)	**(5.7)**	(5.0)
Deficit in scheme	(0.8)	-	**(0.8)**	(0.9)
Related deferred tax asset	0.2	-	**0.2**	0.3
Liability recognised in the balance sheet	**(0.6)**	**-**	**(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 2005 £m	EEPS 2005 £m	**2005 £m**	Restated 2004 £m
Current service cost	0.1	-	**0.1**	0.1
Total operating cost	**0.1**	**-**	**0.1**	**0.1**

NOTES TO THE FINANCIAL STATEMENTS Continued

18. Pension commitments (continued)

Analysis of the amounts credited to interest income:

	ESPS 2005 £m	EEPS 2005 £m	**2005 £m**	Restated 2004 £m
Expected return on pension scheme assets	0.3	-	**0.3**	0.3
Interest on pension scheme liabilities	(0.3)	-	**(0.3)**	(0.2)
Net return on pension scheme	-	-	-	**0.1**

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

	ESPS 2005 £m	EEPS 2005 £m	**2005 £m**	Restated 2004 £m
Actual return less expected return on pension scheme assets	0.5	-	**0.5**	0.1
Experience gains and losses arising on scheme liabilities	-	-	-	(0.1)
Changes in assumptions underlying the present value of the scheme liabilities	(0.5)	-	**(0.5)**	(0.2)
Actuarial loss	-	-	-	(0.2)
Deferred tax	-	-	-	-
Actuarial loss net of deferred tax	-	-	-	**(0.2)**

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

	ESPS 2005 £m	EEPS 2005 £m	**2005 £m**	Restated 2004 £m
At 1 January 2005	(0.9)	-	**(0.9)**	(0.7)
Deficit payments	0.1	-	**0.1**	-
Current service cost	(0.1)	-	**(0.1)**	(0.1)
Contributions	0.1	-	**0.1**	-
Net finance income	-	-	-	0.1
Actuarial loss	-	-	-	(0.2)
At 31 December 2005	**(0.8)**	-	**(0.8)**	**(0.9)**

NOTES TO THE FINANCIAL STATEMENTS Continued

18. Pension commitments (continued)

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

	Expected return		Fair value of assets			
			ESPS	EEPS		
	2005	2004	2005	2005	**2005**	2004
	%	%	%	%	**£m**	£m
Gilts	**4.1**	4.5	1.0	-	**1.0**	1.0
Equities	**7.8**	8.2	3.3	-	**3.3**	2.5
Property	**6.8**	7.2	0.1	-	**0.1**	0.3
Corporate bonds	**4.5**	5.0	0.3	0.1	**0.4**	0.3
Cash	**4.6**	5.0	0.8	-	**0.1**	-
Fair value of scheme assets			**4.7**	**0.1**	**4.9**	**4.1**

History of experience gains and losses are as follows:

	ESPS	EEPS		Restated
	2005	2005	**2005**	2004
	£m	£m	**£m**	£m
Fair value of scheme assets	4.8	0.1	**4.9**	4.1
Present value of defined benefit obligations	(5.6)	(0.1)	**(5.7)**	(5.0)
Deficit in the scheme	(0.8)	-	**(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	-	**0.5**	0.1
Percentage of scheme assets (%)	10.4%	-%	**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%

NOTES TO THE FINANCIAL STATEMENTS Continued

19. Prior-year adjustments

The adoption of FRS17 'Retirement benefits' has required changes in the method of accounting for pension costs and liabilities. As a result of these changes in accounting policy the comparatives have been restated as follows:

Balance sheet	Accruals	Pension liability	Deferred taxation against pension liability	Net pension liability	Deferred tax asset	Profit and loss account
	£m	£m	£m	£m	£m	£m
At 31 December 2004 as published	(12.8)	-	-	-	3.8	132.2
Adoption of FRS17 at 1 January 2004	5.0	(0.8)	0.2	(0.6)	(1.4)	3.0
Adoption of FRS17 for the year ended 31 December 2004 – profit and loss account	7.0	0.1	0.1	0.2	(2.2)	5.0
Adoption of FRS17 for the year ended 31 December 2004 – statement of total recognised gains and losses	-	(0.2)	-	(0.2)	-	(0.2)
At 31 December 2004 as restated	(0.8)	(0.9)	0.3	(0.6)	0.2	140.0

Profit and loss account	Administrative expenses	Interest receivable	Tax on profit on ordinary activities	Profit for the financial year
	£m	£m	£m	£m
Year ended 31 December 2004 as published	(17.6)	-	4.7	7.5
Adoption of FRS17 for the year ended 31 December 2004	7.0	0.1	(2.1)	5.0
At 31 December 2004 as restated	(10.6)	0.1	2.6	12.5

NOTES TO THE FINANCIAL STATEMENTS Continued

20. Other financial commitments and contingent liabilities

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

	Land and buildings 2005 £m	Land and buildings 2004 £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
	1.9	2.0

The Company has given guarantees in respect of the EDF Energy Powerlink Holdings Limited's share of contractual obligations of its joint ventures. As a result of breaching the deficiency points threshold EDF Energy Powerlink Limited has now received a second formal warning from London Underground (LU) which technically gives LU a right to terminate the Power Service Contract (PSC). In the event of termination of the PSC by LU it is estimated that EDF Energy (South East) plc would suffer a charge to the income statement in the range of £18-20m which would be a cash contribution to repay the bank debt and meet all other creditor commitments. Although LU have a technical right to terminate the contract they have taken no action to do so and are continuing to renegotiate aspects of the contract with EDF Energy.

21. 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 (see note 22).

22. 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 from September 2005, as a result of the purchase of shares in the Company from EDF Energy (Development Branch) plc (formerly SEEBOARD Group plc). CSW Investments 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.