

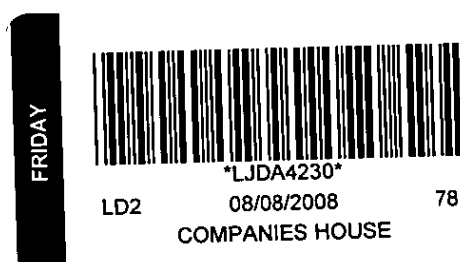


# **EDF ENERGY (SOUTH EAST) PLC**

**Registered Number 2366867**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2007**



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### **Directors**

Humphrey A E Cadoux-Hudson  
Robert Ian Higson

### **Company Secretary**

Robert Ian Higson

### **Auditors**

Deloitte & Touche LLP  
London

### **Registered Office**

40 Grosvenor Place  
Victoria  
London  
SW1X 7EN

## **DIRECTORS' REPORT**

The Directors present their report and financial statements for the year ended 31 December 2007

### **Principal activity and review of the business**

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

### **Results and dividends**

The profit for the year, before taxation, amounted to £2.3m (2006: loss of £0.3m) and after taxation to £7.3m (2006: £9.8m). The Directors do not recommend payment of a dividend (2006: £nil).

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

### **Directors and their interests**

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

Humphrey A E Cadoux-Hudson  
Robert Ian Higson

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

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

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

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

### **Creditors payment policy**

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

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

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2007, the Company had an average of 7 days (2006: 15 days) purchases outstanding in its trade creditors.

## **DIRECTORS' REPORT continued**

### **Risk management**

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

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

The Company is not exposed to any significant currency or interest rate risk. The Group's risks are discussed within the Group's Annual report, which does not form part of this report

### **Disclosure of information to auditors**

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

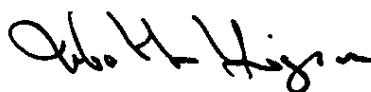
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

### **Auditors**

Deloitte & Touche LLP will be re-appointed as the Company's 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 Higson  
Company Secretary  
8 August 2008

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 (SOUTH EAST) PLC

We have audited the financial statements of EDF Energy (South East) plc for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 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

8 August 2008

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

|   | Notes | 2007<br>£m   | 2006<br>£m |
|---|-------|--------------|------------|
| <b>Turnover</b>   | 2     | <b>5.5</b>   | 6.4        |
| Administrative expenses   |       | <b>(4.8)</b> | (7.0)      |
| <b>Operating profit/(loss)</b>  | 3     | <b>0.7</b>   | (0.6)      |
| Profit on sale of fixed assets  |       | <b>1.5</b>   | 0.2        |
| <b>Profit/(loss) on ordinary activities before investment income, interest and taxation</b> |       | <b>2.2</b>   | (0.4)      |
| Interest receivable and similar income  | 6     | <b>0.1</b>   | 0.1        |
| <b>Profit/(loss) on ordinary activities before taxation</b>                                 |       | <b>2.3</b>   | (0.3)      |
| Tax on profit/(loss) on ordinary activities   | 7     | <b>5.0</b>   | 10.1       |
| <b>Retained profit for the financial year</b>   | 15    | <b>7.3</b>   | 9.8        |

All results are from continuing operations

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

**BALANCE SHEET  
AT 31 DECEMBER 2007**

|  | Notes | 2007<br>£m     | 2006<br>£m     |
|--|-------|----------------|----------------|
| <b>Fixed assets</b>                                  |       |                |                |
| Tangible assets                                      | 8     | 19.9           | 20.4           |
| Investments in subsidiary undertakings               | 9     | 919.4          | 919.4          |
| <b>Total fixed assets</b>                            |       | <b>939.3</b>   | <b>939.8</b>   |
| <b>Current assets</b>                                |       |                |                |
| Debtors amounts falling due within one year          | 10    | 68.8           | 54.0           |
| Cash   |       | 215.0          | 228.0          |
| <b>Total current assets</b>                          |       | <b>283.8</b>   | <b>282.0</b>   |
| <b>Creditors</b> amounts falling due within one year | 12    | <b>(927.8)</b> | <b>(933.5)</b> |
| <b>Net current liabilities</b>                       |       | <b>(644.0)</b> | <b>(651.5)</b> |
| <b>Total assets less current liabilities</b>         |       | <b>295.3</b>   | <b>288.3</b>   |
| Provisions for liabilities                           | 13    | -              | (0.2)          |
| <b>Net assets excluding pension liability</b>        |       | <b>295.3</b>   | <b>288.1</b>   |
| Pension liability                                    | 16    | (0.3)          | (0.4)          |
| <b>Net assets including pension liability</b>        |       | <b>295.0</b>   | <b>287.7</b>   |
| <b>Capital and reserves</b>                          |       |                |                |
| Called up share capital                              | 14    | 125.9          | 125.9          |
| Share premium account                                | 15    | 7.8            | 7.8            |
| Capital redemption reserve                           | 15    | 6.8            | 6.8            |
| Profit and loss account                              | 15    | 154.5          | 147.2          |
| <b>Equity shareholder's funds</b>                    | 15    | <b>295.0</b>   | <b>287.7</b>   |

The financial statements on pages 6 to 20 were approved by the Board of Directors on 8 August 2008 and were signed on its behalf by



Robert Ian Higson  
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 on a consistent basis under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

#### Cash flow statement

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of a group, headed by EDF Energy plc, whose consolidated accounts include a cash flow statement and are publicly available (note 19).

#### Consolidation

Consolidated financial statements have not been prepared, as the Company is exempt from the obligation to prepare consolidated financial statements under section 228(1) of the Companies Act 1985. Consolidated financial statements are prepared by the intermediate parent company EDF Energy plc, which include the results of the Company and its subsidiary undertakings and are publicly available (note 19).

#### Tangible fixed assets

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

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

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

#### Investments

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

## NOTES TO THE FINANCIAL STATEMENTS continued

### 1. Accounting policies continued

#### Taxation

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

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

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

Deferred tax is measured on an undiscounted basis

#### Operating leases

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

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

#### Pensions

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

The amounts charged to the profit and loss account 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

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

### 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. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and to the extent that it can be measured reliably

**NOTES TO THE FINANCIAL STATEMENTS continued**

**3. Operating profit/(loss)**

|  | <b>2007</b> | 2006 |
|--|-------------|------|
|  | <b>£m</b>   | £m   |
| This operating profit/(loss) for the year is stated after charging |             |      |
| Depreciation of fixed assets - owned                               | <b>0.7</b>  | 0.5  |
| Operating lease rentals - land and buildings                       | <b>1.8</b>  | 1.9  |

In 2007 an amount of £20,000 (2006 £20,000) was paid to Deloitte for audit services. This charge was borne by another Group company in the current and prior year.

Rental income under operating leases for the years ended 31 December 2007 amounts to £3.6m (2006 £4.9m) which is included within turnover.

**4 Staff costs**

From 1 September 2005, employees of EDF Energy (South East) plc were transferred to another Group company. As a result, the monthly average number of employees in the Company during the year was nil (2006 nil). The Company receives a management charge for its share of resources employed by EDF Energy plc. The intercompany recharge in respect of wages and salaries, national insurance, severance costs and pensions totalled £0.1m for the year ended 31 December 2007 (2006 £1.8m).

**5. Directors' emoluments**

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

**6. Interest receivable and similar income**

|  | <b>2007</b> | 2006 |
|--|-------------|------|
|  | <b>£m</b>   | £m   |
| Net return on pension scheme (note 16) | <b>0.1</b>  | 0.1  |

NOTES TO THE FINANCIAL STATEMENTS continued

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

(a) Analysis of tax credit in the year

UK current tax

|   | 2007<br>£m | 2006<br>£m |
|---|------------|------------|
| UK corporation tax credit on profit/(loss) for the year | (7.0)      | (6.9)      |
| Adjustment in respect of previous years                 | 1.7        | (3.1)      |
| Total current tax credit (note 8(b))                    | (5.3)      | (10.0)     |

UK deferred tax

|  | 2007<br>£m | 2006<br>£m |
|--|------------|------------|
| Origination and reversal of timing differences | 0.2        | 0.2        |
| Adjustment in respect of previous years        | 0.1        | (0.3)      |
| Total deferred tax charge / (credit)           | 0.3        | (0.1)      |
| Tax credit on loss on ordinary activities      | (5.0)      | (10.1)     |

(b) Factors affecting tax credit for the year

|   | 2007<br>£m | 2006<br>£m |
|---|------------|------------|
| The tax assessed for the period is lower (2006 lower) than the standard rate of corporation tax in the UK (30%) |            |            |
| The differences are explained below   |            |            |
| Profit/(loss) on ordinary activities before tax   | 2.3        | (0.3)      |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK                   | 0.7        | (0.1)      |
| Effect of   |            |            |
| Permanent differences   | (7.5)      | (6.6)      |
| Capital allowances in excess of depreciation  | (0.1)      | (0.2)      |
| Movement in pension liability   | (0.1)      | -          |
| Adjustment in respect of previous years   | 1.7        | (3.1)      |
| Current tax credit for the period   | (5.3)      | (10.0)     |

NOTES TO THE FINANCIAL STATEMENTS continued

8. Tangible fixed assets

|                            | Land and<br>buildings<br>£m | Total<br>£m |
|----------------------------|-----------------------------|-------------|
| <b>Cost</b>                |                             |             |
| At 1 January 2007          | 29.9                        | 29.9        |
| Additions                  | 3.1                         | 3.1         |
| Disposals                  | (3.4)                       | (3.4)       |
| <b>At 31 December 2007</b> | <b>29.6</b>                 | <b>29.6</b> |
| <b>Depreciation</b>        |                             |             |
| At 1 January 2007          | 9.5                         | 9.5         |
| Charge for the year        | 0.7                         | 0.7         |
| Disposals                  | (0.5)                       | (0.5)       |
| <b>At 31 December 2007</b> | <b>9.7</b>                  | <b>9.7</b>  |
| <b>Net book value</b>      |                             |             |
| <b>At 31 December 2007</b> | <b>19.9</b>                 | <b>19.9</b> |
| At 31 December 2006        | 20.4                        | 20.4        |

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

|                 | 2007<br>£m  | 2006<br>£m  |
|-----------------|-------------|-------------|
| Freehold - land | 2.7         | 4.4         |
| - buildings     | 17.1        | 15.9        |
| Short leasehold | 0.1         | 0.1         |
|                 | <b>19.9</b> | <b>20.4</b> |

Land and buildings held for use in operating leases were

|                          | 2007<br>£m | 2006<br>£m |
|--------------------------|------------|------------|
| Cost                     | 8.2        | 10.3       |
| Accumulated depreciation | (2.8)      | (3.2)      |
|                          | <b>5.4</b> | <b>7.1</b> |

NOTES TO THE FINANCIAL STATEMENTS continued

9 Investments in subsidiary undertakings

|  | Total<br>£000 |
|--|---------------|
| Cost and net book value                |               |
| At 1 January 2007 and 31 December 2007 | 919.4         |

The principal undertakings at 31 December 2007, which are incorporated in Great Britain and are registered and operate in England and Wales (unless otherwise stated), are as follows

|   | Percentage of<br>ordinary shares held | Principal activity       |
|---|---------------------------------------|--------------------------|
| EDF Energy Networks (SPN) plc                       | 100%                                  | Electricity distribution |
| EDF Energy Contracting Limited *                    | 100%                                  | Electrical contracting   |
| EDF Energy Powerlink Limited *                      | 80%                                   | Asset management         |
| EDF Energy (South Eastern Services) Limited *       | 100%                                  | Property management      |
| SEEBOARD Trading Limited *                          | 100%                                  | Investment company       |
| EDF Energy (Powerlink Holdings) Limited*            | 100%                                  | Investment company       |
| EDF Energy (Projects) Limited *                     | 100%                                  | Investment company       |
| Islington Lighting Limited *                        | 100%                                  | Electrical contracting   |
| Islington Lighting (Finance) Limited *              | 100%                                  | Investment company       |
| Ealing Lighting Limited *                           | 100%                                  | Electrical contracting   |
| Ealing Lighting (Finance) Limited *                 | 100%                                  | Investment company       |
| Dorset Lighting Limited *                           | 100%                                  | Electrical contracting   |
| Dorset Lighting (Finance) Limited *                 | 100%                                  | Investment company       |
| SEEBOARD Highway Lighting (No 2) Limited *          | 100%                                  | Holding company          |
| SEEBOARD Highway Lighting (No 3) Limited *          | 100%                                  | Holding company          |
| SEEBOARD Highway Lighting (No 4) Limited *          | 100%                                  | Holding company          |
| Longfield Insurance Company Limited * (Isle of Man) | 100%                                  | Insurance                |
| EDF Energy (Development) plc                        | 100%                                  | Holding company          |
| EDF Energy (Asset Management) Limited *             | 100%                                  | Investment company       |
| EDF Energy (Metro Holdings) Limited *               | 100%                                  | Investment company       |
| London ESCO Limited *                               | 81%                                   | Project management       |

\*Investment held indirectly

## NOTES TO THE FINANCIAL STATEMENTS continued

### 9. Investments in subsidiary undertakings continued

The associates and joint ventures at 31 December 2007, which are incorporated in Great Britain and are registered and operate in England and Wales, are as follows

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

\*Investment held indirectly

### 10 Debtors: amounts falling due within one year

|  | 2007<br>£m  | 2006<br>£m  |
|--|-------------|-------------|
| Trade debtors                          | 0.9         | 1.2         |
| Other taxes and social security costs  | 0.1         | 0.1         |
| Deferred tax asset (see note 11)       | 0.3         | 0.5         |
| Corporation tax (Group payments)       | 10.0        | -           |
| Amounts owed by other parent companies | 37.1        | 32.8        |
| Amounts owed by other Group companies  | 19.7        | 18.6        |
| Prepayments and accrued income         | 1.0         | 1.0         |
| Bad debt provision                     | (0.3)       | (0.2)       |
|  | <b>68.8</b> | <b>54.0</b> |

**NOTES TO THE FINANCIAL STATEMENTS continued**

**11 Deferred tax**

The movements in the deferred tax asset (note 10) during the year were as follows

|   | At 1 January<br>2007 | Utilised during<br>the year | At 31<br>December<br>2007 |
|---|----------------------|-----------------------------|---------------------------|
|   | £m                   | £m                          | £m                        |
| Deferred tax asset                          | 0.5                  | (0.2)                       | 0.3                       |
| Deferred taxation against pension liability | 0.2                  | (0.1)                       | 0.1                       |
| <b>Total deferred tax</b>                   | <b>0.7</b>           | <b>(0.3)</b>                | <b>0.4</b>                |

Deferred taxation recognised in the financial statements is as follows

|   | 2007<br>£m | 2006<br>£m |
|---|------------|------------|
| Depreciation in excess of capital allowances        | 0.3        | 0.5        |
| Other timing differences                            | -          | -          |
| <b>Net deferred taxation recoverable (above)</b>    | <b>0.3</b> | <b>0.5</b> |
| Deferred taxation against pension liability (above) | 0.1        | 0.2        |
| <b>Total deferred tax asset</b>                     | <b>0.4</b> | <b>0.7</b> |

Finance Act 2007 announced a reduction in the main stream corporation tax rate from 30% to 28% from 1 April 2008. £0.1m has been debited to the profit and loss account for the year to reflect these changes.

**12. Creditors: amounts falling due within one year**

|  | 2007<br>£m   | 2006<br>£m   |
|--|--------------|--------------|
| Trade creditors                        | 0.1          | 0.2          |
| Amounts owed to other parent companies | 919.3        | 922.5        |
| Amounts owed to other Group companies  | 3.8          | 0.4          |
| Corporation tax (Group payments)       | -            | 6.2          |
| Other creditors                        | 4.6          | 4.2          |
| <b>Total</b>                           | <b>927.8</b> | <b>933.5</b> |

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



**NOTES TO THE FINANCIAL STATEMENTS continued**

**13. Provisions for liabilities**

The movements in provisions during the current year are as follows

|                         | At 1 January<br>2007<br>£m | Released during<br>the year<br>£m | At 31 December<br>2007<br>£m |
|-------------------------|----------------------------|-----------------------------------|------------------------------|
| Dilapidations provision | 0.2                        | (0.2)                             | -                            |

**14. Share capital**

**Authorised**

|                               | 2007<br>Number | 2006<br>Number | 2007<br>£m | 2006<br>£m |
|-------------------------------|----------------|----------------|------------|------------|
| Ordinary shares of £0.50 each | 400,000,000    | 400,000,000    | 200.0      | 200.0      |

**Allotted, called up and fully paid**

|                               | 2007<br>Number | 2006<br>Number | 2007<br>£m | 2006<br>£m |
|-------------------------------|----------------|----------------|------------|------------|
| Ordinary shares of £0.50 each | 251,693,703    | 251,693,703    | 125.9      | 125.9      |

**15 Reconciliation of shareholder's funds and movement on reserves**

|                            | Share<br>capital<br>£m | Share<br>premium<br>£m | Capital<br>redemption<br>reserve<br>£m | Profit and loss<br>account<br>£m | Total<br>£m  |
|----------------------------|------------------------|------------------------|--|----------------------------------|--------------|
| At 1 January 2006          | 125.9                  | 7.8                    | 6.8                                    | 137.4                            | 277.9        |
| Profit for the year        | -                      | -                      | -                                      | 9.8                              | 9.8          |
| At 31 December 2006        | 125.9                  | 7.8                    | 6.8                                    | 147.2                            | 287.7        |
| Profit for the year        | -                      | -                      | -                                      | 7.3                              | 7.3          |
| <b>At 31 December 2007</b> | <b>125.9</b>           | <b>7.8</b>             | <b>6.8</b>                             | <b>154.5</b>                     | <b>295.0</b> |

## NOTES TO THE FINANCIAL STATEMENTS continued

### 16. Pension commitments

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

The principal pension schemes of EDF Energy plc are the EDF Energy Pension Scheme (EEPS) and the EDF Energy Group of the Electricity Supply Pension Scheme (ESPS). Both of these schemes are defined benefit schemes. On 1 September 2005 the EDF Energy Group of the ESPS was created by the merger of the Company's two ESPS Groups, the London Electricity Group of the ESPS and the Seeboard Group of the ESPS. The London Electricity Group and Seeboard Group of the ESPS closed to new employees in April 1994 and July 1995 respectively. New employees were offered membership of the following schemes: the Seeboard Final Salary Pension Plan, the London Electricity 1994 Retirement Plan (LERP), the 24seven Group Personal Pension Plan (24seven GPP), and the Seeboard Pension Investment Plan. The first of these schemes was a defined benefit scheme whilst all the others are defined contribution schemes.

The EDF Energy Group closed its non-ESPS pension arrangements (the London Electricity 1994 Retirement Plan, the Seeboard Final Salary Pension Plan, the Seeboard Pension Investment Plan, and the 24seven Group Personal Pension Plan) with effect from 29 February 2004. A new scheme, the EDF Energy Pension Scheme, a final salary arrangement, replaced these for future service from 1 March 2004. A special contribution of £2m was made to the EDF Energy Pension Scheme at inception, and the regular ongoing employer's contribution has been assessed as 10% of pensionable pay. This contribution rate will be reviewed as a result of future actuarial valuations.

The latest full actuarial valuation of the EDF Energy Group of the ESPS and EEPS were carried out by Hewitt Bacon & Woodrow, consulting actuaries, as at 31 March 2007. The valuation was agreed on 25 January 2008, at the same time that a special contribution was agreed to fund the ESPS deficit over an 8 year period to 31 March 2015. 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:

|  | <b>31 December<br/>2007<br/>% p a</b> | 31 December<br>2006<br>% p a | 31 December<br>2005<br>% p a |
|--|---------------------------------------|------------------------------|------------------------------|
| Discount rate                              | <b>6.0</b>                            | 5.2                          | 4.7                          |
| Inflation assumption                       | <b>3.3</b>                            | 3.1                          | 2.9                          |
| Rate of increase in salaries - ESPS        | <b>5.3</b>                            | 4.1                          | 3.9                          |
| Rate of increase in salaries - EEPS        | <b>4.8</b>                            | 4.1                          | 3.9                          |
| Rate of increase of pensions increases RPI | <b>3.3</b>                            | 3.1                          | 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 2007, which determined the Company's contribution rate for future years.

NOTES TO THE FINANCIAL STATEMENTS continued

16. Pension commitments continued

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

|  | ESPS<br>2007<br>£m | EEPS<br>2007<br>£m | Total<br>2007<br>£m | Total<br>2006<br>£m | Total<br>2005<br>£m |
|--|--------------------|--------------------|---------------------|---------------------|---------------------|
| Fair value of scheme assets                      | 5.3                | 0.1                | 5.4                 | 5.1                 | 4.9                 |
| Present value of defined benefit obligations     | (5.7)              | (0.1)              | (5.8)               | (5.7)               | (5.7)               |
| Deficit in scheme                                | (0.4)              | -                  | (0.4)               | (0.6)               | (0.8)               |
| Related deferred tax asset                       | 0.1                | -                  | 0.1                 | 0.2                 | 0.2                 |
| <b>Liability recognised in the balance sheet</b> | <b>(0.3)</b>       | <b>-</b>           | <b>(0.3)</b>        | <b>(0.4)</b>        | <b>(0.6)</b>        |

This amount is presented in pension liabilities

There were no amounts charged to the profit and loss account in respect of these defined benefit schemes

Analysis of the amounts credited to interest income

|  | ESPS<br>2007<br>£m | EEPS<br>2007<br>£m | Total<br>2007<br>£m | Total<br>2006<br>£m |
|--|--------------------|--------------------|---------------------|---------------------|
| Expected return on pension scheme assets | 0.3                | -                  | 0.3                 | 0.3                 |
| Interest on pension scheme liabilities   | (0.2)              | -                  | (0.2)               | (0.2)               |
| <b>Net return on pension scheme</b>      | <b>0.1</b>         | <b>-</b>           | <b>0.1</b>          | <b>0.1</b>          |

There was no actuarial gain in the statement of total recognised gains and losses in either year

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

|                            | ESPS<br>2007<br>£m | EEPS<br>2007<br>£m | Total<br>2007<br>£m | Total<br>2006<br>£m |
|----------------------------|--------------------|--------------------|---------------------|---------------------|
| At 1 January 2007          | (0.6)              | -                  | (0.6)               | (0.8)               |
| Deficit payments           | 0.1                | -                  | 0.1                 | 0.1                 |
| Net finance income         | 0.1                | -                  | 0.1                 | 0.1                 |
| <b>At 31 December 2007</b> | <b>(0.4)</b>       | <b>-</b>           | <b>(0.4)</b>        | <b>(0.6)</b>        |

NOTES TO THE FINANCIAL STATEMENTS continued

16. 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 |                    |                     |                     |                     |
|------------------------------------|-----------------|-----------|-----------|----------------------|--------------------|---------------------|---------------------|---------------------|
|                                    | 2007<br>%       | 2006<br>% | 2005<br>% | ESPS<br>2007<br>£m   | EEPS<br>2007<br>£m | Total<br>2007<br>£m | Total<br>2006<br>£m | Total<br>2005<br>£m |
| Gilts                              | 4.6             | 4.5       | 4.1       | 2.0                  | -                  | 2.0                 | 2.0                 | 1.0                 |
| Equities                           | 8.2             | 8.2       | 7.8       | 2.4                  | -                  | 2.4                 | 2.5                 | 3.3                 |
| Property                           | 7.2             | 7.2       | 6.8       | 0.1                  | -                  | 0.1                 | 0.1                 | 0.1                 |
| Corporate bonds                    | 5.4             | 5.0       | 4.5       | 0.5                  | 0.1                | 0.6                 | 0.4                 | 0.4                 |
| Cash                               | 5.4             | 5.2       | 4.6       | 0.3                  | -                  | 0.3                 | 0.1                 | 0.1                 |
| <b>Fair value of scheme assets</b> |                 |           |           | <b>5.3</b>           | <b>0.1</b>         | <b>5.4</b>          | <b>5.1</b>          | <b>4.9</b>          |

History of experience gains and losses are as follows

|   | ESPS<br>2007<br>£m | EEPS<br>2007<br>£m | Total<br>2007<br>£m | Total<br>2006<br>£m | Total<br>2005<br>£m |
|---|--------------------|--------------------|---------------------|---------------------|---------------------|
| Fair value of scheme assets   | 5.3                | 0.1                | 5.4                 | 5.1                 | 4.9                 |
| Present value of defined benefit obligations                              | (5.7)              | (0.1)              | (5.8)               | (5.7)               | (5.7)               |
| Deficit in the scheme   | (0.4)              | -                  | (0.4)               | (0.6)               | (0.8)               |
| Experience adjustments on scheme liabilities                              |                    |                    |                     |                     |                     |
| Amount (£m)   | (0.3)              | -                  | (0.3)               | -                   | -                   |
| Percentage of scheme liabilities  | 5.3%               | -%                 | 5.2%                | -%                  | -%                  |
| Difference between the expected and actual return on scheme assets        |                    |                    |                     |                     |                     |
| Amount (£m)   | -                  | -                  | -                   | -                   | 0.5                 |
| Percentage of scheme assets   | -%                 | -%                 | -%                  | -%                  | 10.2%               |
| Total amount recognised in statement of total recognised gains and losses |                    |                    |                     |                     |                     |
| Amount (£m)   | -                  | -                  | -                   | -                   | -                   |
| Percentage of scheme liabilities  | -%                 | -%                 | -%                  | -%                  | -%                  |

## NOTES TO THE FINANCIAL STATEMENTS continued

### 17 Other financial commitments and contingent liabilities

At 31 December 2007 the Company had annual commitments under non-cancellable operating leases as set out below

|                               | Land and<br>buildings<br>2007<br>£m | Land and<br>buildings<br>2006<br>£m |
|-------------------------------|-------------------------------------|-------------------------------------|
| Operating leases which expire |                                     |                                     |
| Within one year               | 0.1                                 | 0.1                                 |
| In two to five years          | 0.5                                 | 0.3                                 |
| In over five years            | 1.5                                 | 1.6                                 |
|                               | <b>2.1</b>                          | <b>2.0</b>                          |

### 18. 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 19)

### 19. Parent undertaking and controlling party

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

At 31 December 2007, 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.

### 20. Subsequent events

On 27 May 2008 the business and the majority of assets and liabilities of Metronet Rail BCV Limited and Metronet Rail SSL Limited (together "Metronet") were transferred to Transport for London ("TfL"). The investment in Metronet was held in an indirectly owned subsidiary of the Company, EDF Energy (Metro Holdings) Limited (note 9), and had been written off on 18 July 2007 when Metronet entered into PPP administration under the PPP Administration orders 2006 therefore no further adjustment is deemed necessary.