

#### 4 Pension arrangements

The Company is part of the industry-wide pension scheme, the Electricity Supply Pension Scheme (ESPS), which is a defined benefit scheme with assets invested in separate trustee administered funds as described in note 7 to the consolidated financial statements.

The valuation used for the FRS 17 disclosure at 31 December 2007 has been based on a full assessment of the liabilities of the International Power section of the Electricity Supply Pension Scheme at 31 March 2007 updated by independent qualified actuaries to reflect the requirements of FRS 17.

The major assumptions used by the actuary were:

	<b>Year ended 31 December 2007 %</b>	Year ended 31 December 2006 %	Year ended 31 December 2005 %
Inflation assumption	<b>3.4</b>	3.1	2.9
Rate of increase in salaries	<b>4.9</b>	4.6	4.4
Rate of increase of pensions in payment	<b>3.4</b>	3.1	2.9
Rate of increase of deferred pensions	<b>3.4</b>	3.1	2.9
Rate used to discount plan liabilities	<b>5.8</b>	5.1	4.7

The assets in the scheme and the expected rates of return were:

	31 December 2007		31 December 2006		31 December 2005	
	Long-term rate of return %	Value £m	Long-term rate of return %	Value £m	Long-term rate of return %	Value £m
Equities	<b>8.0</b>	<b>78</b>	7.5	71	7.1	60
Bonds	<b>5.7</b>	<b>11</b>	5.0	8	4.6	7
Other	<b>6.7</b>	<b>11</b>	6.4	9	6.0	7
Total market value of assets		<b>100</b>		88		74
Present value of scheme liabilities		<b>(117)</b>		(100)		(92)
Deficit in scheme		<b>(17)</b>		(12)		(18)
Related deferred tax asset		<b>5</b>		4		5
<b>Net pension liability</b>		<b>(12)</b>		(8)		(13)

Analysis of amounts charged to operating profit:

	<b>Year ended 31 December 2007 £m</b>	Year ended 31 December 2006 £m
Current service cost	<b>7</b>	6
Settlement/curtailment cost	–	2
<b>Total operating cost</b>	<b>7</b>	8

Analysis of amounts credited to other finance income:

	<b>2007 £m</b>	2006 £m
Expected return on pension plan assets	<b>6</b>	5
Interest on pension plan liabilities	<b>(5)</b>	(4)
<b>Net return</b>	<b>1</b>	1

Analysis of amount recognised in statement of total recognised gains and losses:

	<b>2007 £m</b>	2006 £m
Actual return less expected return on pension scheme assets	<b>(2)</b>	2
Experience losses arising on the scheme liabilities	<b>(6)</b>	–
Changes in assumptions underlying the present value of the scheme liabilities	<b>2</b>	5
<b>Actuarial (loss)/gain recognised in statement of total recognised gains and losses</b>	<b>(6)</b>	7

**4 Pension arrangements** continued

Analysis of movement in deficit during the year:

	Year ended 31 December 2007 £m	Year ended 31 December 2006 £m
Deficit in scheme at 1 January	(12)	(18)
Current service cost	(7)	(6)
Settlement/curtailment cost	–	(2)
Contributions	7	6
Other finance income	1	1
Actuarial (loss)/gain	(6)	7
<b>Deficit in scheme at 31 December</b>	<b>(17)</b>	<b>(12)</b>

History of experience gains and losses:

	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
Difference between the actual and expected return on pension scheme assets:					
Amount (£m)	(2)	2	9	3	4
Percentage of scheme assets	2%	2%	12%	5%	9%
Experience (losses)/gains arising on the scheme liabilities:					
Amount (£m)	(6)	–	(6)	4	–
Percentage of the present value of scheme liabilities	5%	–	7%	6%	–
Total amount recognised in statement of total recognised gains and losses:					
Amount (£m)	(6)	7	(6)	–	4
Percentage of the present value of scheme liabilities	5%	7%	7%	–	7%

**5 Tangible fixed assets**

	Freehold land and buildings £m	Plant, machinery and equipment £m	Total £m
<b>Cost</b>			
At 1 January 2007	2	8	10
Additions	–	1	1
Disposals	–	(3)	(3)
<b>At 31 December 2007</b>	<b>2</b>	<b>6</b>	<b>8</b>
<b>Depreciation</b>			
At 1 January 2007	1	7	8
Provided during the year	–	1	1
Disposals	–	(3)	(3)
<b>At 31 December 2007</b>	<b>1</b>	<b>5</b>	<b>6</b>
<b>Net book value</b>			
<b>At 31 December 2007</b>	<b>1</b>	<b>1</b>	<b>2</b>
At 31 December 2006	1	1	2