EDF ENERGY NETWORKS (EPN) PLC

Registered Number 2366906

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2008

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Directors

Vincent de Rivaz
Humphrey A E Cadoux-Hudson
Laurent Ferrari

Company Secretary

Robert Ian Higson

Auditors

Deloitte LLP
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London
EC4A 3BZ

Registered Office

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London
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DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended 31 December 2008.

Principal activity and review of the business

The Company's principal activity during the year continued to be the distribution of electricity to domestic, commercial and industrial customers through network ownership, management, operation, maintenance and renewal. It will continue in this activity for the foreseeable future.

Results and dividends

The profit for the year, before taxation, amounted to £204.7m (2007: £188.4m) and after taxation, to £146.9m (2007: £150.7m). A dividend of £70.0m was paid in the current year (2007: £nil).

The EDF Energy plc group ("the 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 Networks Branch, which includes the Company, is discussed in the Group's Annual Report which does not form part of this Report.

Future developments

The Directors aim to deliver the right balance of customer service and shareholder return through efficient investment in the Network within the boundaries of the price control allowances.

Directors and their interests

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

Vincent de Rivaz	
Humphrey A E Cadoux-Hudson	
Paul Cuttill	(Resigned 10 June 2008)
Laurent Ferrari	(Appointed 21 July 2008)

None of the Directors had a contract with the Company in the current or prior year. They are all employed by the parent company, EDF Energy plc, and have contracts with that Company.

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 2008, the Company had an average of nil days (2007: 6 days) purchases outstanding in its trade creditors.

DIRECTORS' REPORT continued

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, liquidity risk and interest rate risk.

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. The credit risk on liquid funds and financial instruments is limited because the counterparties are reputable banks and building societies. The Company is able to raise finance in external financial markets supported by cash flows generated by the Regulatory Asset Value which determines the levels of allowed revenue that may be recovered.

Interest rate risk

The Company's exposure to interest rate fluctuations on its borrowings and deposits is managed by using fixed rate debt instruments and index-linked rate debt instruments.

Financial instruments

The Company holds or issues financial instruments for two main purposes:

- to finance its operations; and
- to manage the interest rate risk arising from its sources of finance.

The Company finances its operation by a mixture of retained profits, bank borrowings, medium-term loans, long-term loans and commercial paper. The Company has borrowings denominated in sterling at fixed rates of interest. The main risk arising from the Company's financial instruments is interest rate risk. The Company's policy for managing this risk is as above and is defined in statements authorised by the Board of Directors and reviewed on an annual basis. Authority for managing risk consistent with this corporate policy may be delegated by the Board to, amongst others, the treasury department of the Company's parent company, EDF Energy plc.

Going concern

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate within its facilities. These facilities include £746.4m in long term bonds, access to a £75m Intra Group Revolving Credit Facility and access to Money Market Borrowings under the £1 billion Multi Issuer Commercial Paper Program. The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Company continues to adopt the going concern basis in preparing its financial statements.

Political and charitable contributions

The Company made no charitable or political contributions in either year.

DIRECTORS' REPORT continued

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.

Auditors

Deloitte 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

Robert Ian Higson
Company Secretary
31st March '09

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 judgements 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.

The Directors confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets and liabilities, financial position and profit of EDF Energy Networks (EPN) plc as at 31 December 2008; and
- the Directors' report includes a fair and true view of the development and performance of the business and the financial position of EDF Energy Networks (EPN) plc, together with a description of its principal risks and uncertainties.

Signed on behalf of the Board of Directors of EDF Energy Networks (EPN) plc on 31st March 09.

Humphrey A E Cadoux-Hudson
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY NETWORKS (EPN) PLC

We have audited the financial statements of EDF Energy Networks (EPN) plc for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 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 LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London

31 March 2009

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £m	2007 £m
Turnover	2	**437.8**	414.5
Cost of sales		**(9.8)**	(8.6)
Gross profit		**428.0**	405.9
Distribution costs		**(170.0)**	(162.6)
Administrative expenses		**(2.4)**	(3.1)
Operating profit	3	**255.6**	240.2
Interest receivable and similar income	5	**5.0**	3.5
Interest payable and similar charges	6	**(55.9)**	(55.3)
Profit on ordinary activities before taxation		**204.7**	188.4
Tax on profit on ordinary activities	7	**(57.8)**	(37.7)
Profit for the financial year	17	**146.9**	150.7

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 2008

	Note	2008 £m	2007 £m
Profit for the financial year		**146.9**	150.7
Actuarial loss net of deferred tax on defined pension benefits	19	**(4.7)**	(0.2)
Deferred tax rate change	19	**-**	(0.1)
Total recognised gain relating to the year		**142.2**	150.4

The deferred tax credit reflected in the actuarial loss net of deferred tax on defined benefit pensions amounted to £1.8m (2007: £0.1m). The £0.1m deferred tax rate change in prior year reflects the reduction in the main stream corporation tax rate from 30% to 28% from 1 April 2008.

BALANCE SHEET
AT 31 DECEMBER 2008

	Note	2008 £m	2007 £m
Fixed assets			
Tangible assets	8	**2,012.2**	1,804.9
Current assets			
Debtors	9	**74.5**	69.4
Investments: unlisted money market investments		**5.3**	113.1
Cash at bank and in hand		**0.1**	0.1
		79.9	182.6
Creditors: amounts falling due within one year	10	**(330.5)**	(304.2)
Net current liabilities		**(250.6)**	(121.6)
Total assets less current liabilities		**1,761.6**	1,683.3
Creditors: amounts falling due after more than one year	11	**(746.4)**	(746.1)
Provision for liabilities	14	**(282.2)**	(270.7)
Net assets excluding pension liability		**733.0**	666.5
Pension liability	19	**(10.7)**	(16.4)
Net assets including pension liability		**722.3**	650.1
Capital and reserves			
Called up share capital	15	**125.8**	125.8
Share premium account	17	**5.6**	5.6
Capital redemption reserve	17	**10.6**	10.6
Profit and loss account	17	**580.3**	508.1
Shareholder's funds		**722.3**	650.1

The financial statements on pages 7 to 23 were approved by the Board of Directors on 3rd March '09. and were signed on its behalf by:

Laurent Ferrari
Director

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, except as noted below in respect of tangible fixed assets.

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.

The Company is exempt from the disclosures required by FRS 29 'Financial Instruments: Disclosures' since the Company is a subsidiary of EDF Energy plc which prepares consolidated accounts under IFRS that comply with requirements of IFRS 7 'Financial Instruments: Disclosures' which is equivalent to FRS 29.

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 of acquisition of each asset evenly over its expected useful life, as follows:

Overhead and underground lines	–	45 to 60 years
Other network plant and buildings	–	20 to 60 years
Fixtures and equipment	–	5 years
Vehicles	–	5 to 10 years

Assets in the course of construction for production are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Customer contributions in respect of capital expenditure are credited to a fixed asset account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments. The un-amortised amount of such contributions is shown as a deduction from fixed assets. This is a departure from the Companies Act 1985, which requires fixed assets to be included at their purchase price or production cost and hence the contribution would be presented as deferred income. However, contributions relate directly to the cost of fixed assets used in the distribution network and it is the opinion of the Directors that the treatment adopted is necessary to give a true and fair view. The value of the contributions is shown in note 8.

NOTES TO THE FINANCIAL STATEMENTS continued

1. Accounting policies continued

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments, at a constant rate on the carrying amount.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

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 re-valued fixed assets only where there is a commitment to dispose of the re-valued 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.

Investments

Current asset investments are stated at the lower of cost and net realisable value.

Pensions

The Company has obligations under a funded defined benefit pension arrangement as part of the EDF Energy plc group, and the Company accounts for this scheme in accordance with FRS 17 'Retirement Benefits'.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

1. Accounting policies continued

Pensions continued

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in a separate trustee administered fund. 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.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2. Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to continuing activities of electricity distribution and the invoice value of other goods and services provided. This includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the year end.

3. Operating profit

This is stated after charging:	**2008** **£m**	2007 £m
Depreciation of owned assets	**55.7**	48.9
Loss on disposal of fixed assets	**0.1**	0.6

Amounts payable to auditors	**2008** **£000**	2007 £000
Fees payable to Company Auditors for the audit of the Company's annual accounts	**35.0**	30.0
Other services pursuant to legislation - Regulatory accounts	**20.0**	18.3
Total audit fees	**55.0**	48.3

The Company had no employees in 2008 (2007: None).

NOTES TO THE FINANCIAL STATEMENTS continued

4. 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 the preceding year.

No Director (2007: none) held any interests in the shares or debentures of the Company or the Group required to be disclosed under Schedule 7 of the Companies Act 1985.

5. Interest receivable and similar income

	2008 £m	2007 £m
Net return on pension scheme	-	1.0
Other interest receivable	4.9	2.5
Dividends received	0.1	-
	5.0	3.5

6. Interest payable and similar charges

	2008 £m	2007 £m
Net interest cost on pension scheme	0.5	-
On loans from other Group companies	0.1	-
On loans payable within five years	17.5	-
On loans repayable after five years	37.5	55.0
Other interest payable	0.3	0.3
	55.9	55.3

NOTES TO THE FINANCIAL STATEMENTS continued

7. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year:

UK current tax	**2008 £m**	2007 £m
UK corporation tax charge on profit for the year	**47.6**	51.6
Adjustment in respect of prior year	**(6.3)**	(0.7)
Total current tax charge (note (b))	**41.3**	50.9

UK deferred tax	**2008 £m**	2007 £m
Origination and reversal of timing differences	**11.3**	5.0
Adjustment in respect of prior year	**5.2**	(18.2)
Total deferred tax charge/(credit) for the year	**16.5**	(13.2)
Total tax charge on profit on ordinary activities	**57.8**	37.7

(b) Factors affecting tax charge for the year:

The tax assessed for the period is lower (2007: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2008 £m	2007 £m
Profit on ordinary activities before tax	**204.7**	188.4
Tax on profit on ordinary activities at standard UK rate of corporation tax of 28.5% (2007: 30%)	**58.3**	56.5
Effect of:		
Adjustment in respect of prior year	**(6.3)**	(0.7)
Disallowed expenses and non-taxable income	**0.8**	0.5
Capital allowances in excess of depreciation	**(7.8)**	(4.2)
Movement in pension liability	**(4.1)**	(1.5)
Other timing differences	**0.4**	0.3
Current tax charge for the year	**41.3**	50.9

NOTES TO THE FINANCIAL STATEMENTS continued

8. Tangible fixed assets

	Network	Non Network land & buildings	Fixtures and equipment	Vehicles	Customers' contributions	**Total**
		£m	£m	£m	£m	**£m**
Cost						
At 1 January 2008	3,469.1	17.9	17.4	6.9	(915.8)	**2,595.5**
Additions	330.9	1.8	8.4	3.7	(81.6)	**263.2**
Disposals	(6.8)	-	-	-	-	**(6.8)**
At 31 December 2008	**3,793.2**	**19.7**	**25.8**	**10.6**	**(997.4)**	**2,851.9**
Depreciation						
At 1 January 2008	1,019.4	0.3	4.2	1.6	(234.9)	**790.6**
Charge for the year	70.6	0.3	6.1	1.3	(22.6)	**55.7**
Disposals	(6.6)	-	-	-	-	**(6.6)**
At 31 December 2008	**1,083.4**	**0.6**	**10.3**	**2.9**	**(257.5)**	**839.7**
Net book value						
At 31 December 2008	**2,709.8**	**19.1**	**15.5**	**7.7**	**(739.9)**	**2,012.2**
At 31 December 2007	2,449.7	17.6	13.2	5.3	(680.9)	1,804.9

Network assets include land at £20.2m (2007: £20.1m). Non Network land and buildings comprises freehold buildings only.

Included within tangible fixed assets are assets in course of construction of £109.7m as at 31 December 2008. The balance as at 31 December 2007 was £61.8m, of which £24.4m was completed during the year.

9. Debtors

	2008	2007
	£m	£m
Trade debtors	**59.7**	56.2
Amounts owed by Group undertakings	**6.8**	6.8
Prepayments and accrued income	**8.0**	6.4
	74.5	69.4

NOTES TO THE FINANCIAL STATEMENTS continued

10. Creditors: amounts falling due within one year

	2008	2007
	£m	£m
Borrowings (note 12)	**57.1**	-
Trade creditors	**-**	0.7
Amounts owed to Group undertakings	**76.3**	56.5
Corporation tax (Group payments)	**86.1**	121.5
Other creditors	**3.3**	3.6
Other taxation and social security	**4.5**	5.2
Accruals and deferred income	**103.2**	116.7
	330.5	304.2

11. Creditors: amounts falling due after more than one year

	2008	2007
	£m	£m
Borrowings (note 12)	**746.4**	746.1

12. Borrowings

	2008	2007
	£m	£m
Amounts falling due within one year		
Amounts due to Group undertakings	**38.3**	-
Money market borrowings	**18.8**	-
	57.1	-
Amounts falling due after more than one year		
£200m 8.75% Eurobond due March 2012	**199.4**	199.3
£350m 5.75% Eurobond due March 2024	**349.0**	348.9
£200m 8.50% Eurobond due March 2025	**198.0**	197.9
	746.4	746.1

The unamortised issue cost of the bonds is the difference between the nominal value and the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS continued

13. Financial instruments

The Company's funding, liquidity and exposure to interest rate risks are managed by the Company's immediate parent company, EDF Energy plc. Treasury operations are conducted within a framework of policies and guidelines authorised by the Board of EDF Energy plc.

(a) Interest rate and currency risk

The Company's long-term debt has been issued at fixed rates of interest. Exposure to short-term interest rate movements is limited to short-term investments and short and long term borrowings resulting from funding needs and working capital surpluses and deficits. The Company does not have any direct material exposure to foreign currencies.

(b) Interest rate profile

Interest earned on cash deposits is predominantly through money market investments. Money market investments are short term in nature and taken out at fixed rates of interest for the duration of the investment.

The interest rate profile of the Company's financial liabilities was as follows:

	Borrowings			**Fixed rate borrowings**	
	Floating rate £m	Fixed rate £m	**Total £m**	Weighted average interest rate %	Weighted average fixed period Years
As at 31 December 2008	**57.1**	**746.4**	**803.5**	**7.3**	**12.0**
As at 31 December 2007	-	746.1	746.1	7.3	13.0

(c) Fair values

The fair values of financial instruments represent the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates at the year end.

Amounts payable:	**Book value 2008 £m**	**Fair value 2008 £m**	Book value 2007 £m	Fair value 2007 £m
Within one year	**57.1**	**57.1**	-	-
In two to five years	**199.4**	**222.6**	199.3	223.4
In more than five years	**547.0**	**560.5**	546.8	612.8

The fair value of amounts payable within one year is equal to the carrying value.

(d) Borrowing facilities

Included in amounts payable within one year are intra group borrowings of £38.3m (2007: £nil) drawn under the Intra Group Revolving Credit Facility of £75.0m and £18.8m (2007: £nil) short term Money Market Borrowings under the £1 billion Multi Issuer Commercial Paper Program.

NOTES TO THE FINANCIAL STATEMENTS continued

14. Provision for liabilities

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

	At 1 January 2008 £m	Arising during the year £m	Released during the year £m	**At 31 December 2008 £m**
Deferred tax	268.0	12.5	-	**280.5**
Wayleaves	2.5	-	(2.5)	**-**
Other	0.2	1.5	-	**1.7**
	270.7	14.0	(2.5)	**282.2**

Other provisions are expected to become payable within the next 2 years.

Deferred taxation provided in the financial statements is as follows:

	2008 £m	2007 £m
Accelerated capital allowances	**282.0**	269.5
Other timing differences	**(1.5)**	(1.5)
Provision for deferred tax	**280.5**	268.0

The movements in deferred taxation are as follows:

	At 1 January 2008 £m	Profit and loss account £m	Statement of total recognised gains and losses £m	**At 31 December 2008 £m**
Provision for deferred tax	268.0	12.5	-	**280.5**
Deferred tax shown against pension liability	(6.3)	4.0	(1.8)	**(4.1)**
Net deferred tax	261.7	16.5	(1.8)	**276.4**

Finance Act 2007 announced a reduction in the main stream corporation tax rate from 30% to 28% from 1 April 2008 and also removed the requirement for balancing adjustments on sale of industrial buildings.

NOTES TO THE FINANCIAL STATEMENTS continued

15. Share capital

Authorised

	2008 Number	2007 Number	2008 £m	2007 £m
Ordinary shares of £0.50 each	**400,000,000**	400,000,000	**200.0**	200.0

Allotted, called up and fully paid

	2008 Number	2007 Number	2008 £m	2007 £m
Ordinary shares of £0.50 each	**251,513,142**	251,513,142	**125.8**	125.8

16. Dividends paid

	2008 £m	2007 £m
Ordinary dividends on equity shares - £0.28 per ordinary share	**70.0**	-

17. Reconciliation of shareholder's funds

	Share Capital £m	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total Share holder's funds £m
At 1 January 2007	125.8	5.6	10.6	357.7	**499.7**
Profit for the year	-	-	-	150.7	**150.7**
Deferred tax rate change	-	-	-	(0.1)	**(0.1)**
Acturial loss net of deferred tax on defined pension benefits	-	-	-	(0.2)	**(0.2)**
At 31 December 2007	125.8	5.6	10.6	508.1	**650.1**
Profit for the year	-	-	-	146.9	**146.9**
Dividends paid	-	-	-	(70.0)	**(70.0)**
Acturial loss net of deferred tax on defined pension benefits	-	-	-	(4.7)	**(4.7)**
At 31 December 2008	**125.8**	**5.6**	**10.6**	**580.3**	**722.3**

18. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £68.6m (2007: £95.2m).

NOTES TO THE FINANCIAL STATEMENTS continued

19. Pension commitments

Former employees of the Company participate in the EDF Energy Group of the Electricity Supply Pension Scheme (ESPS), a defined benefit scheme, now closed to new members. The scheme is accounted for in accordance with FRS 17. 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.

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 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:

	2008	2007
	%	%
Discount rate	**6.5**	6.0
Inflation assumption	**2.6**	3.3
Rate of increase in salaries	**4.6**	5.3
Rate of increase of pensions increases RPI		
- full retail price indexation ("RPI")	**2.6**	3.3

The table below shows details of assumptions around mortality rates used to calculate the FRS 17 ESPS liabilities.

	31 December 2008	31 December 2007
	years	years
Life expectancy for current male pensioner aged 60	**27.0**	26.9
Life expectancy for current female pensioner aged 60	**30.4**	30.3
Life expectancy for future male pensioner currently aged 40 from age 60	**29.9**	29.8
Life expectancy for future female pensioner currently aged 40 from age 60	**31.7**	31.6

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

19. Pension commitments continued

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

	2008	2007
	£m	£m
Fair value of scheme assets	**164.6**	203.2
Present value of defined benefit obligations	**(179.4)**	(225.9)
Deficit in scheme	**(14.8)**	(22.7)
Related deferred tax asset	**4.1**	6.3
Liability recognised in the balance sheet	**(10.7)**	(16.4)

This amount is presented in pension liabilities.

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2008	2007
	£m	£m
Interest cost	**(13.4)**	(11.4)
Expected return on scheme assets	**12.9**	12.4
Past service credit	**11.7**	-
	11.2	1.0

Of the credit for the year £11.7m credit (2007: nil) has been included in distribution costs and an expense of £0.5m (2007: income of £1.0m) has been included in interest.

Movements in the present value of defined benefit obligations in the current period were as follows:

	2008	2007
	£m	£m
At 1 January	**(225.9)**	(223.1)
Interest cost	**(13.4)**	(11.4)
Actuarial gain/(loss)	**38.4**	(0.6)
Past service credit	**11.7**	-
Benefits paid	**9.8**	9.2
At 31 December	**(179.4)**	(225.9)

NOTES TO THE FINANCIAL STATEMENTS continued

19. Pension commitments continued

Movements in the present value of fair value of scheme assets in the current period were as follows:

	2008	2007
	£m	£m
At 1 January	**203.2**	195.7
Expected return on scheme assets	**12.9**	12.4
Actuarial (loss)/gain	**(44.9)**	0.3
Deficit payments	**3.2**	4.0
Benefits paid	**(9.8)**	(9.2)
At 31 December	**164.6**	203.2

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	
	2008	2007	**2008**	2007
	%	%	**£m**	£m
Gilts - fixed	**3.9**	4.6	**45.7**	49.7
- index linked	**3.8**	4.5	**21.7**	26.6
Equities	**7.5**	8.2	**77.4**	92.0
Property	**6.5**	7.2	**3.7**	4.7
Corporate bonds	**5.6**	5.4	**20.6**	19.3
Cash	**3.2**	5.4	**(4.5)**	10.9
			164.6	203.2

EDF Energy plc group employs a building block approach in determining the long term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long term rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for ESPS as at 31 December 2008.

The actual return on scheme assets in the year was a loss of £32.0m (2007: gain £12.7m).

NOTES TO THE FINANCIAL STATEMENTS continued

19. Pension commitments continued

History of experience gains and losses are as follows:

	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Fair value of scheme assets	**164.6**	203.2	195.7	185.8	160.5
Present value of defined benefit obligations	**(179.4)**	(225.9)	(223.1)	(221.1)	(199.2)
Deficit in the scheme	**(14.8)**	(22.7)	(27.4)	(35.3)	(38.7)
Experience adjustments on scheme liabilities:					
Amount (£m)	**(0.7)**	(10.2)	-	(0.7)	(1.2)
Percentage of scheme liabilities (%)	**0.4**	4.5	-	0.3	0.6
Experience adjustments on scheme assets:					
Amount (£m)	**(44.9)**	0.3	1.9	19.1	4.3
Percentage of scheme assets (%)	**27.3**	0.1	1.0	10.3	2.7

The amounts recognised in the statement of total recognised gains and losses are as follows:

	2008	2007
	£m	£m
At 1 January	**(3.7)**	(3.4)
Actuarial loss	**(6.5)**	(0.3)
Deferred taxation	**1.8**	0.1
Deferred tax rate change	**-**	(0.1)
At 31 December	**(8.4)**	(3.7)

20. 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.

21. Parent undertaking and controlling party

EDF Energy plc holds a 100% interest in EDF Energy Networks (EPN) plc 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. Copies of that Company's consolidated financial statements may be obtained from 40 Grosvenor Place, Victoria, London SW1X 7EN.

At 31 December 2008 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 financial statements 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.

NOTES TO THE FINANCIAL STATEMENTS continued

22. Regulatory accounts

On 1 October 2001, under the Utilities Act 2000, EDF Energy Networks (EPN) plc was granted a Distribution Licence under which it is required to produce regulatory accounts. The regulatory accounts, which cover a twelve month period ended 31 March of each year, are available free of charge by contacting the finance department at Energy House, Carrier Business Park, Hazelwick Avenue, Three Bridges, Crawley, West Sussex, RH10 1EX or by telephoning 01293 657862.