EDF ENERGY NETWORKS LIMITED

Registered Number 3870728

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
2 New Street Square
London
EC4A 3BZ

Registered Office

40 Grosvenor Place
Victoria
London
SW1X 7EN

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 utility infrastructure management. It will continue in this activity for the foreseeable future.

Results and dividends

The loss for the year, before taxation, amounted to £0.7m (2007: £3.9m) and after taxation, to £1.3m (2007: £3.6m). No dividends were paid in the year (2007: £nil).

The Company provides a full network maintenance, inspection and renewal programme for the licensed distribution companies owned by the EDF Energy plc group (the "Group"). The costs of these activities are recharged to the distribution companies on a cost reflective basis. Therefore it is inappropriate to consider the results of the Company in isolation. 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 maintain a balance of good quality customer service, investment in its employees and shareholder return, whilst delivering an efficient service. It is anticipated that 2009 will deliver further improvements. The Company invests in a research and development programme within areas including sustainability and the environment, network operations and asset management.

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 were 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 18 days (2007: 23 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 and liquidity 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. Credit risk is mitigated by the nature of the debtor balances owed, with these due from EDF Energy group companies who are able to repay these if required. Liquidity risk is mitigated by positive cash flows generated by the Company.

Going concern

The Company's ability to continue as a going concern is assessed in conjunction with the Group as its viability is dependent upon the ability of other companies within the Group to settle their intercompany balances with the Company.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance and the extension/refinancing of credit facilities in other companies within the Group, show that the Company will be able to operate within its current facilities. 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.

Employees

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

Employee Involvement

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting their employment and on various factors affecting the performance of the Company and Group. This is carried out in a number of ways, including formal and informal briefings. departmental meetings and regular reports in staff newsletters and on the Group intranet.

Equal opportunities

The Company is fully committed to ensuring that all current and potential future employees and customers are treated fairly and equally, regardless of their gender, marital status, disability, race, colour, nationality or ethnic origin in accordance with the appropriate legislation and Government guidelines. The Company provides equal opportunities for employment, training and development, having regard to particular aptitudes and abilities. In the event of employees becoming disabled during employment, where possible, assistance and retraining is given so that they may attain positions compatible with their ability.

Political and charitable contributions

During the year, the Company made various charitable contributions totalling £138,097 (2007: £62,076) and no 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY NETWORKS LIMITED

We have audited the financial statements of EDF Energy Networks Limited 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 21. 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 loss 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	**1,004.8**	860.4
Cost of sales		**(724.5)**	(644.2)
Gross profit		**280.3**	216.2
Distribution costs		**(240.4)**	(202.7)
Administrative expenses		**(41.4)**	(25.5)
Operating loss	3	**(1.5)**	(12.0)
Interest receivable and similar income	7	**1.1**	8.6
Interest payable and similar charges	8	**(0.3)**	(0.5)
Loss on ordinary activities before taxation		**(0.7)**	(3.9)
Tax on loss on ordinary activities	9	**(0.6)**	0.3
Loss for the financial year	16	**(1.3)**	(3.6)

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
Loss for the financial year		**(1.3)**	(3.6)
Actuarial gain net of deferred tax on defined pension benefits	18	**0.7**	1.1
Total recognised loss		**(0.6)**	(2.5)

The deferred tax charge reflected in the actuarial gain net of deferred tax on defined benefit pensions amounted to £0.2m (2007: £0.5m).

BALANCE SHEET
AT 31 DECEMBER 2008

	Note	**2008** **£m**	2007 £m
Fixed assets			
Tangible assets	*10*	**1.2**	5.9
Current assets			
Stocks	*11*	**35.2**	43.7
Debtors	*12*	**195.7**	153.9
Cash at bank and in hand		**1.7**	16.6
		232.6	214.2
Creditors: amounts falling due within one year	*13*	**(195.7)**	(181.6)
Net current assets		**36.9**	32.6
Total assets less current liabilities		**38.1**	38.5
Provisions for liabilities	*14*	**(10.0)**	(9.8)
Net assets excluding pension liability		**28.1**	28.7
Pension liability	*18*	**(8.1)**	(8.7)
Net assets including pension liability		**20.0**	20.0
Capital and reserves			
Called up share capital	*15*	**2.0**	2.0
Share premium account	*16*	**28.0**	28.0
Capital reserves	*16*	**0.4**	(0.2)
Profit and loss account	*16*	**(10.4)**	(9.8)
Shareholder's funds	*16*	**20.0**	20.0

The financial statements on pages 7 to 25 were approved by the Board of Directors on 31st March '09
and 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, except as noted below in respect of Share based payments, 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.

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:

Plant and machinery	–	5 years
Office equipment, fixtures and fittings	–	5 years
Computer equipment	–	5 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.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Work in progress includes the cost of direct materials and labour plus attributable overheads based on a normal level of activity.

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

1. Accounting policies continued

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included in long-term contract balances in stock.

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

Taxation

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

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

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses;

- provision is made for gains on 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.

Research and development

Expenditure on research is written off to the profit and loss account in the period in which it is incurred.

Leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

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 '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 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.

Share based payments

EDF Energy plc's ultimate parent company, Electricité de France S.A ("EDF") is partially listed on Euronext, the French stock exchange. Any share-based payments to employees are measured at fair value at the date the shares are issued. The fair value is measured using the Black-Scholes model, taking into account any preferential terms offered to staff such as discounts and free shares. Any Company contribution to the scheme is charged to the profit and loss account in the period in which it arises, at the fair value determined by the model. A corresponding amount is recognised as a capital contribution from EDF within equity.

Any share-based payments to employees which are not issued to employees but transferred (i.e. no additional share capital) and equity settled are valued at market value on date of announcement. Any contribution to the scheme is charged to the profit and loss account in the period in which it arises, at the fair value determined, and apportioned on a straight-line basis over the vesting period. A corresponding amount is recognised as a capital contribution from EDF within equity. Any repayment required to EDF is measured at the market value of the period end and recognised as a liability and reduced capital contribution.

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 utility infrastructure management, the Company's principal activity.

3. Operating loss

This is stated after charging:	**2008** **£m**	2007 £m
Staff costs (note 5)	**195.6**	174.9
Depreciation of owned assets	**4.7**	6.7
Other operating lease rentals	**11.3**	11.3
Research and development	**3.4**	4.5

Auditor's remuneration

Fees payable by the Company to Deloitte LLP and their associates for the audit of the Company's annual accounts amounted to £51,000 (2007: £49,000). Fees payable for non audit services were £nil (2007: £nil).

NOTES TO THE FINANCIAL STATEMENTS continued

4. Directors' emoluments

	2008 £000	2007 £000
Emoluments	**452.5**	396.5
Company contribution paid to defined benefit pension scheme	-	-
Total	**452.5**	396.5

	2008 Number	2007 Number
Members of defined benefit pension scheme	**1**	1

Emoluments payable to the highest paid director were as follows:	2008 £000	2007 £000
Aggregate emoluments	**290.8**	396.5
Company contribution paid to defined benefit pension scheme	-	-
Total	**290.8**	396.5

5. Staff costs

	2008 £m	2007 £m
Wages and salaries	**157.7**	140.7
Social security costs	**13.4**	12.1
Pension costs	**21.1**	21.3
Share based payments (note 6)	**3.4**	0.8
	195.6	174.9
The average monthly number of employees was:	**3,922**	3,672

Recharges relating to staff employed by other companies within the Group are excluded from the disclosure above.

NOTES TO THE FINANCIAL STATEMENTS continued

6. Share based payments

ERO 2008

As part of EDF's public offering in 2008, employees of the Group on 12 September 2008 were offered shares under two preferential schemes, collectively known as the Employee Reserved Offering 2008 (ERO 2008). The details and benefits of these offers are summarised below:

	Independent of Group savings plan	Within Group savings plan
Scheme name	Express2+	Maxi2
Company contribution up to £2,380:		
– 110%	-	Up to £552
– 25%	-	up to £9,220
Free shares – 1 for 2	up to 10 free shares	-
1 for 4	up to £1,092.60	up to £1,092.60
Credit holding period	2 years	5 years
Non-transferability period	2 years	2 years
Attribution of free shares	3 years	3 years
Sales price (£)	52.00	52.00

Each benefit granted to employees in this sale was measured and recorded at grant date in accordance with FRS 20 'Share-based payments':

- For free shares, in addition to the cost of unavailability due to these shares being awarded after 3 years, the valuation also took into consideration the lack of dividends on these shares during the unavailability period.
- Deferred payment terms were offered depending on the subscriber's options. For instance, depending on the scheme chosen, subscriptions could be paid up immediately upon award of the shares, or in three instalments over 2 years.

66,891 shares were purchased by employees of the Company.

The additional contribution made by the Company to the benefit of employees in connection with this share offering amounted to £1.4m.

ACT 2007

On 30 August 2007 the ultimate parent company, EDF announced ACT 2007, the Free Award Share Plan. This plan entitles all persons who, on the 30th of August 2007, were bound by an employment contract with EDF Energy or one of its subsidiaries, a free distribution of EDF ordinary shares in accordance with the Rules and Regulations of the plan. Each beneficiary was notified of the number of shares, the vesting and holding periods applicable to them and had right of refusal of the plan.

Each employee who agreed to take part in the plan is guaranteed to receive 10 free shares. Over and above this, employees will receive an additional number of shares proportional to their salary, calculated on the basis of the actual paid June 2007 annual salary, excluding any other variable compensation items such as bonuses, profit sharing etc. The number of shares any one beneficiary can receive is capped at 50 shares.

NOTES TO THE FINANCIAL STATEMENTS continued

6. Share based payments continued

ACT 2007 continued

The Award and contract period will become final and the beneficiaries will be issued the shares at the end of the vesting period of 2 years, if, at this date both the Performance and Presence criteria have been fulfilled. These criteria are:

a) Performance Criteria: This is based on the EDF Group meeting their EBITDA target over the period 2007-2008. The decision as to whether the Performance Criteria has been met will be assessed on the date of the release of the annual consolidated results of EDF Group for the financial year 2008.
b) Presence Criteria: Each beneficiary must be continuously bound by an employment contract with EDF Energy or one of its subsidiaries throughout the vesting period.

The employees will receive the shares at the market value prevailing on the date of the award. After this point the beneficiary is required to keep and not transfer the shares for the holding period relevant to them.

ACT 2007 Impact

	2008	2007
	£000	£000
At 1 January	**(166)**	-
Granted during the period	**2,094**	754
Future liability	**(1,569)**	(920)
At 31 December	**359**	(166)

The value of the shares granted during the period represents the charge in the Profit and Loss account. This is accounted for at the share price (base price) on date of announcement of the plan being €72.50 or £48.99. During 2008, the EDF Group purchased the shares in relation to the scheme at a price of €59.72 or £44.79. The liability at 31 December 2008 has been valued using this price. The difference represents the amount that has been credited to reserves in the year.

7. Interest receivable and similar income

	2008	2007
	£m	£m
Net return on pension scheme	**-**	0.4
Interest receivable on loans to other Group companies	**1.1**	8.2
	1.1	8.6

8. Interest payable and similar charges

	2008	2007
	£m	£m
Net interest cost on pension scheme	**0.3**	-
Other interest payable	**-**	0.5
	0.3	0.5

NOTES TO THE FINANCIAL STATEMENTS continued

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

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

UK Current Tax	2008 £m	2007 £m
UK corporation tax on loss	**1.6**	1.5
Adjustment in respect of previous years	**(1.3)**	0.1
Total current tax charge (note b)	**0.3**	1.6

UK deferred tax	2008 £m	2007 £m
Origination and reversal of timing differences	**(1.4)**	(2.3)
Adjustment in respect of previous years	**1.7**	0.4
Total deferred tax charge/(credit)	**0.3**	(1.9)
Total tax charge/(credit)	**0.6**	(0.3)

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

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

	2008 £m	2007 £m
Loss on ordinary activities before tax	**(0.7)**	(3.9)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	**(0.2)**	(1.2)
Effect of:		
Capital allowances less than depreciation	**0.4**	0.8
Movement in pension liability	**-**	1.4
Other timing differences	**1.0**	0.3
Expenses not deductible for tax purposes	**0.4**	0.2
Adjustment in respect of previous years	**(1.3)**	0.1
Current tax charge for the period	**0.3**	1.6

NOTES TO THE FINANCIAL STATEMENTS continued

10. Tangible fixed assets

	Fixtures & Fittings, Tools & Equipment £m	Total £m
Cost		
At 1 January 2008 and 31 December 2008	81.0	81.0
Depreciation		
At 1 January 2008	75.1	75.1
Charge for the year	4.7	4.7
At 31 December 2008	**79.8**	**79.8**
Net book value		
At 31 December 2008	**1.2**	**1.2**
At 31 December 2007	5.9	5.9

There were no assets in the course of construction included within the tangible fixed assets shown above as at 31 December 2008. The balance as at 31 December 2007 was £nil.

11. Stocks

	2008 £m	2007 £m
Raw materials and consumables	**19.4**	21.2
Work in progress	**15.8**	22.5
	35.2	43.7

The replacement cost of stocks held by the Company at 31 December 2008 and 31 December 2007 was not materially different to the amount at which they are stated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

12. Debtors

	2008 £m	2007 £m
Trade debtors	**18.1**	5.0
Amounts recoverable on contracts	**3.2**	4.3
Amounts owed by other Group undertakings	**149.2**	119.5
Deferred tax asset	**4.1**	4.4
Other debtors	**7.7**	10.7
Prepayments and accrued income	**13.4**	10.0
	195.7	153.9

The deferred tax asset recognised in the financial statements is as follows:

	2008 £m	2007 £m
Accelerated capital allowances	**3.1**	1.6
Short term timing differences	**1.0**	2.8
	4.1	4.4

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**
Deferred tax asset	4.4	(0.3)	-	**4.1**
Deferred tax shown against pension liability	3.4	-	(0.2)	**3.2**
Net deferred tax	7.8	(0.3)	(0.2)	**7.3**

NOTES TO THE FINANCIAL STATEMENTS continued

13. Creditors: amounts falling due within one year

	2008	2007
	£m	£m
Payments received on account	**18.5**	27.1
Trade creditors	**46.2**	50.4
Corporation tax (Group payments)	**2.4**	2.0
Amounts owed to other Group companies	**34.5**	27.5
Other taxation and social security	**0.1**	0.1
Other creditors	**12.8**	13.4
Accruals and deferred income	**81.2**	61.1
	195.7	181.6

Preference shares with a book value of £200 are included within creditors. The preference shares relate to the following:

Authorised, allotted, called up and fully paid

	2008	2007	**2008**	2007
	Number	Number	**£**	£
H preference shares of 33 ⅓ pence each	**300**	300	**100**	100
I preference shares of 33 ⅓ pence each	**300**	300	**100**	100
	600	600	**200**	200

The preference shares carry an entitlement to cumulative preferential dividends of the following amounts:

H preference shares	75% of the profit after tax every financial year*
I preference shares	25% of the profit after tax every financial year*

*in this calculation, profit after tax is limited to £10 million.

The Company has the right to redeem the preference shares at any time for the sum of £1 each.

Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the payment in full of the preference share capital together with any arrears of dividends. They have no voting rights.

NOTES TO THE FINANCIAL STATEMENTS continued

14. Provisions 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**
Insurance	8.4	-	(0.5)	**7.9**
Other	1.4	0.7	-	**2.1**
	9.8	0.7	(0.5)	**10.0**

The insurance provision comprises public liability and employer liability claims made against the Company. The timing of the payments is uncertain but it is expected that the majority of this expenditure will be incurred within three years of the balance sheet date.

"Other" includes provision for holiday pay amounting to £0.4m (2007: £0.4m), expected to be incurred over a period of up to 5 years and a provision for legal fees amounting to £1.7m (2007: £1.0m) expected to become payable within 2 years.

15. Share capital

Authorised

	2008 £m	2007 £m
25,000,000 (2006: 25,000,000) H ordinary shares of £1 each	**25.0**	25.0
25,000,000 (2006: 25,000,000) I ordinary shares of £1 each	**25.0**	25.0
	50.0	50.0

Allotted, called up and fully paid

	2008 Number	2007 Number	**2008 £m**	2007 £m
H ordinary shares of £1 each	**1,000,001**	1,000,001	**1.0**	1.0
I ordinary shares of £1 each	**1,000,001**	1,000,001	**1.0**	1.0
	2,000,002	2,000,002	**2.0**	2.0

The ordinary shares carry an entitlement to equal voting and dividend rights.

The preference shares are presented as a liability (see note 13) and accordingly are excluded from called-up share capital in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS continued

16. Reconciliation of shareholder's funds and movements on reserves

	Share Capital	Share Premium Account	Capital Reserves	Profit and Loss Account	**Total Shareholder's Funds**
	£m	£m	£m	£m	**£m**
At 1 January 2007	2.0	28.0	-	(7.3)	**22.7**
Loss for the financial year	-	-	-	(3.6)	**(3.6)**
Share based payment (note 6)	-	-	(0.2)	-	**(0.2)**
Actuarial gain net of deferred tax on defined pension benefits (note 18)	-	-	-	1.1	**1.1**
At 31 December 2007	2.0	28.0	(0.2)	(9.8)	**20.0**
Loss for the financial year	-	-	-	(1.3)	**(1.3)**
Share based payment (note 6)	-	-	0.6	-	**0.6**
Actuarial gain net of deferred tax on defined pension benefits (note 18)	-	-	-	0.7	**0.7**
At 31 December 2008	**2.0**	**28.0**	**0.4**	**(10.4)**	**20.0**

17. Capital commitments

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

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 FRS 17.

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

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

The latest full actuarial valuation of the EDF Energy Group of the ESPS and EEPS 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.

NOTES TO THE FINANCIAL STATEMENTS continued

18. Pension commitments continued

The principal financial assumptions used to calculate ESPS and EEPS liabilities under FRS 17 were:

	2008 %	2007 %
Discount rate	**6.5**	6.0
Inflation assumption	**2.6**	3.3
Rate of increase in salaries		
- ESPS	**4.6**	5.3
- EEPS	**4.1**	4.8
Rate of increase of pensions increases RPI		
- full retail price indexation ("RPI")	**2.6**	3.3
- RPI up to 5% (EEPS - service to 31 March 2006)	**2.6**	3.3
- RPI up to 2.5% (EEPS - service from 31 March 2006)	**2.0**	2.3

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

	31 December 2008 years	31 December 2007 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 a future male pensioner currently aged 40 from age 60	**29.9**	29.8
Life expectancy for a future male 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.

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

	ESPS 2008 £m	EEPS 2008 £m	Total 2008 £m	Total 2007 £m
Fair value of scheme assets	**81.8**	**18.4**	**100.2**	97.4
Present value of defined benefit obligations	**(93.7)**	**(17.8)**	**(111.5)**	(109.5)
Deficit in scheme	**(11.9)**	**0.6**	**(11.3)**	(12.1)
Related deferred tax asset	**3.3**	**(0.1)**	**3.2**	3.4
Liability recognised in the balance sheet	**(8.6)**	**0.5**	**(8.1)**	(8.7)

This amount is presented in pension liabilities.

NOTES TO THE FINANCIAL STATEMENTS continued

18. Pension commitments continued

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

	ESPS 2008 £m	EEPS 2008 £m	Total 2008 £m	Total 2007 £m
Current service cost	**(17.6)**	**(3.7)**	**(21.3)**	(21.5)
Interest cost	**(5.3)**	**(1.0)**	**(6.3)**	(4.5)
Expected return on scheme assets	**5.1**	**0.9**	**6.0**	4.9
Changes arising on curtailments	**(0.8)**	**-**	**(0.8)**	(1.0)
	(18.6)	**(3.8)**	**(22.4)**	(22.1)

Of the charge for the year £22.1m (2007: £22.5m) has been included in cost of sales and distribution costs and an expense of £0.3m (2007: income of £0.4m) has been included in interest. The estimated amount of contributions expected to be paid to the scheme during 2009 is £22.2m.

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

	ESPS 2008 £m	EEPS 2008 £m	Total 2008 £m	Total 2007 £m
At 1 January	**(88.9)**	**(20.6)**	**(109.5)**	(85.2)
Current service cost	**(17.6)**	**(3.7)**	**(21.3)**	(21.5)
Changes arising on curtailments	**(0.8)**	**-**	**(0.8)**	(1.0)
Interest cost	**(5.3)**	**(1.0)**	**(6.3)**	(4.5)
Actuarial gain	**15.1**	**8.6**	**23.7**	1.3
Benefits paid	**3.8**	**(1.1)**	**2.7**	1.4
At 31 December	**(93.7)**	**(17.8)**	**(111.5)**	(109.5)

NOTES TO THE FINANCIAL STATEMENTS continued

18. Pension commitments continued

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

	ESPS 2008 £m	EEPS 2008 £m	Total 2008 £m	Total 2007 £m
At 1 January	81.3	16.1	97.4	76.4
Expected return on scheme assets	5.1	0.9	6.0	4.9
Acturial (loss)/gain	(17.9)	(4.9)	(22.8)	0.3
Contributions by employer	16.4	3.5	19.9	17.2
Deficit payment	0.7	1.7	2.4	-
Benefits paid	(3.8)	1.1	(2.7)	(1.4)
At 31 December	**81.8**	**18.4**	**100.2**	97.4

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 ESPS £m	2008 EEPS £m	2008 Total £m	2007 Total £m
Gilts - fixed	3.9	4.6	22.7	-	22.7	19.9
- index linked	3.8	4.5	10.8	-	10.8	10.6
Equities	7.5	8.2	38.5	8.1	46.6	43.5
Property	6.5	7.2	1.8	0.7	2.5	1.9
Corporate bonds	5.6	5.4	10.2	6.4	16.6	14.4
Cash	3.2	5.4	(2.2)	3.2	1.0	7.1
			81.8	18.4	100.2	97.4

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 each of ESPS and EEPS as at 31 December 2008.

The actual return on scheme assets in the year was a loss of £16.8m (2007: gain £5.2m).

NOTES TO THE FINANCIAL STATEMENTS continued

18. Pension commitments continued

History of experience gains and losses are as follows:

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Fair value of scheme assets	**100.2**	97.4	76.3	55.9	26.8
Present value of defined obligations	**(111.5)**	(109.5)	(85.2)	(65.1)	(31.4)
Deficit in the scheme	**(11.3)**	(12.1)	(8.9)	(9.2)	(4.6)
Experience adjustments on scheme liabilities:					
Amount (£m)	**1.8**	(3.2)	-	(0.7)	(0.8)
Percentage of scheme liabilities (%)	**1.6**	2.9	-	1.1	2.5
Experience adjustments on scheme assets:					
Amount (£m)	**(22.8)**	0.3	0.6	3.0	(0.5)
Percentage of scheme assets (%)	**22.8**	0.3	0.8	5.4	1.9

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

	ESPS 2008 £m	**EEPS 2008 £m**	**Total 2008 £m**	Total 2007 £m
At 1 January	**0.3**	**1.2**	**1.5**	0.4
Actuarial (loss)/gain	**(2.8)**	**3.7**	**0.9**	1.6
Deferred taxation	**0.8**	**(1.0)**	**(0.2)**	(0.5)
At 31 December	**(1.7)**	**3.9**	**2.2**	1.5

19. Other financial commitments

At 31 December 2008, the Company had annual commitments under non cancellable operating leases in respect of motor vehicles as set out below:

	2008 £m	2007 £m
Operating leases which expire:		
Within one year	**0.3**	0.6
In two to five years	**5.9**	5.4
In more than five years	**1.3**	0.7
	7.5	6.7

NOTES TO THE FINANCIAL STATEMENTS continued

20. Related party transactions

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 Limited and is considered to be the immediate parent company. EDF Energy plc heads the smallest group for which consolidated accounts are prepared which include the results of the Company. Consolidated accounts of that Company are available 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.