EDF ENERGY NETWORKS LIMITED

Registered Number 3870728

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2009

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Directors

Vincent De Rivaz
Thomas Kusterer
Laurent Ferrari

Company Secretary

Joe Souto

Auditors

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London
EC4A 3BZ

Registered Office

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Victoria
London
SW1X 7EN

DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended 31 December 2009

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

Business Review

The loss for the year, before taxation, amounted to £1 0m (2008 £0 7m) and after taxation, a profit of £0 7m (2008 £1 3m loss) No dividends were paid in the year (2008 £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 2010 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

The future ownership of the Company is dependent on the current process by the EDF Energy Group, headed by Electricité de France SA, to evaluate ownership options for its electricity distribution business in the United Kingdom which includes this Company This is part of the group strategy to reduce net debt in 2010

Directors

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

Vincent de Rivaz	
Humphrey A E Cadoux-Hudson	(Resigned on 1 April 2009)
Thomas Kusterer	(Appointed on 1 April 2009)
Laurent Ferrari	

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

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 having assessed responses from the parent company EDF Energy plc 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

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 2009, the Company had an average of 13 days (2008 18 days) purchases outstanding in its trade creditors

Employees

The Company's policies and procedures relating to Health and Safety at work 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

DIRECTORS' REPORT continued

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 £88,590 (2008 £138,097) and no political contributions in either year

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 s418 of the Companies Act 2006

Auditors

On 20 October 2003 the Company passed an elective resolution dispensing with the requirement to appoint auditors annually In accordance with s485 of the Companies Act 2006, Deloitte LLP are deemed re-appointed until such time as the members or the Directors determine otherwise

Approved by the Board and signed on its behalf by -

L Ferrari
Director
18 March 2010

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) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit and loss of the Company for the 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 are sufficient to show and explain the Company's transactions and 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 2006 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 Ltd for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Makhan Chahal (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK
18 March 2010

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £m	2008 £m
Turnover	2	**1,026.3**	1,004 8
Cost of sales		**(746.5)**	(724 5)
Gross profit		**279.8**	280 3
Distribution costs		**(243.3)**	(240 4)
Administrative expenses		**(36.5)**	(41 4)
Operating loss	3	**-**	(1 5)
Interest receivable and similar income	7	**-**	1 1
Interest payable and similar charges	8	**(1.0)**	(0 3)
Loss on ordinary activities before taxation		**(1.0)**	(0 7)
Tax on loss on ordinary activities	9	**1.7**	(0 6)
Profit/(loss) for the financial year	16	**0.7**	(1 3)

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 2009

	Note	2009 £m	2008 £m
Profit/(loss) for the financial year		**0.7**	(1 3)
Actuarial gain net of deferred tax on defined pension benefits	18	**(24.5)**	0 7
Total recognised loss relating to the year		**(23.8)**	(0 6)

The deferred tax credit (2008 charge) reflected in the actuarial loss (2008 gain) net of deferred tax on defined benefit pensions amounted to £9 5m (2008 £0 2m)

BALANCE SHEET
AT 31 DECEMBER 2009

	Note	**2009**	2008
		£m	£m
Fixed assets			
Tangible assets	*10*	**-**	1 2
Current assets			
Stocks	*11*	**29.9**	35 2
Debtors	*12*	**158.0**	195 7
Cash at bank and in hand		**13.7**	1 7
		201.6	232 6
Creditors: amounts falling due within one year	*13*	**(170.4)**	(195 7)
Net current assets		**31.2**	36 9
Total assets less current liabilities		**31.2**	38 1
Provisions for liabilities	*14*	**(8.8)**	(10 0)
Net assets excluding pension liability		**22.4**	28 1
Pension liability	*18*	**(26.9)**	(8 1)
Net (liabilities)/assets		**(4.5)**	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
Profit and loss account	*16*	**(34.5)**	(10 4)
Shareholder's (deficit)/funds	*16*	**(4.5)**	20 0

The financial statements of EDF Energy Networks Limited, registered number 3870728, on pages 7 to 24 were approved by the Board of Directors on 18 March 2010
and were signed on its behalf by

L Ferrari
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

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 having assessed responses from the parent company EDF Energy plc 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

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, as follows

Raw materials and consumables

- Purchase cost on an average cost basis

Work in progress

- Cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value represents the 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

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

Pensions

The Company has obligations under two funded defined benefit pension arrangements as part of the EDF Energy plc group, and the Company accounts for these schemes in accordance with FRS 17 'Retirement Benefits', ("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

NOTES TO THE FINANCIAL STATEMENTS continued

1. Accountıng policıes contınued

Pensions contınued

The defined benefit schemes are funded, wıth the assets of the scheme held separately from those of the group, ın separate trustee admınıstered funds Pensıon scheme assets are measured at faır value and lıabılıtıes are measured on an actuarıal basıs usıng the projected unıt method and dıscounted at a rate equıvalent to the current rate of return on a hıgh qualıty corporate bond or equıvalent currency and term to the scheme lıabılıtıes The actuarıal valuatıons are obtaıned at least trıennıally and are updated at each balance sheet date The resultıng defıned benefıt asset or lıabılıty, net of the related deferred tax, ıs presented separately after other net assets on the face of the balance sheet

Share based payments

EDF Energy plc's ultımate parent company, Electrıcıté de France S A ("EDF") ıs partıally lısted on Euronext, the French stock exchange Any share-based payments to employees are measured at faır value at the date the shares are ıssued The faır value ıs measured usıng the Black-Scholes model, takıng ınto account any preferentıal terms offered to staff such as dıscounts and free shares Any Company contrıbutıon to the scheme ıs charged to the profıt and loss account ın the perıod ın whıch ıt arıses, at the faır value determıned by the model A correspondıng amount ıs recognısed as a capıtal contrıbutıon from EDF wıthın equıty

Any share-based payments to employees whıch are not ıssued to employees but transferred (ı e no addıtıonal share capıtal) and equıty settled are valued at market value on date of announcement Any contrıbutıon to the scheme ıs charged to the profit and loss account ın the perıod ın whıch ıt arıses, at the faır value determıned, and apportıoned on a straıght-lıne basıs over the vestıng perıod A correspondıng amount ıs recognısed as a capıtal contrıbutıon from EDF wıthın equıty Any repayment requıred to EDF ıs measured at the market value of the perıod end and recognısed as a lıabılıty and reduced capıtal contrıbutıon

Provısıons

Provısıons are recognısed when the Company has a present oblıgatıon (legal or constructıve) as a result of a past event, ıt ıs probable that an outflow of resources embodyıng economıc benefıts wıll be requıred to settle the oblıgatıon and a relıable estımate can be made of the amount of the oblıgatıon If the effect of the tıme value of money ıs materıal, provısıons are determıned by dıscountıng the expected future cash flows at a pre-tax rate that reflects current market assessments of the tıme value of money and, where approprıate, the rısks specıfıc to the lıabılıty

2. Turnover

Turnover, whıch ıs stated net of value added tax, arıses entırely ın the Unıted Kıngdom and ıs attrıbutable to utılıty ınfrastructure management, the Company's prıncıpal actıvıty

3. Operatıng loss

Thıs ıs stated after chargıng	**2009 £m**	2008 £m
Staff costs (note 5)	**195.5**	195 6
Depreciatıon of owned assets	**1.2**	4 7
Other operatıng lease rentals	**11.8**	11 3
Research and development	**3.5**	3 4

Audıtor's remuneratıon

Fees payable by the Company to Deloıtte LLP and theır assocıates for the audıt of the Company's annual accounts amounted to £55,000 (2008 £51,000) Fees payable for non audıt servıces were £nıl (2008 £nıl)

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

Emoluments paid by other Group Companies to EDF Energy Networks Ltd Directors not disclosed in other Group accounts are as follows

	2009 £000	2008 £000
Emoluments	**418.0**	452 5
Company contribution paid to defined benefit pension scheme	-	-
Total	**418.0**	452 5

	2009 Number	2008 Number
Members of defined benefit pension scheme	-	1

Emoluments payable to the highest paid director were as follows	2009 £000	2008 £000
Aggregate emoluments	**418.0**	290 8
Company contribution paid to defined benefit pension scheme	-	-
Total	**418 0**	290 8

5. Staff costs

	2009 £m	2008 £m
Wages and salaries	**165.5**	157 7
Social security costs	**14.4**	13 4
Pension costs	**14.6**	21 1
Share scheme payments (note 6)	**1.0**	3 4
	195.5	195 6
The average monthly number of employees was	**4,208**	3,922

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

ACT 2007

On 30 August 2007 the ultimate parent company, EDF announced ACT 2007, the Free Award Share Plan This plan entitled all persons who, on 30 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 was guaranteed to receive 10 free shares Over and above this, employees received 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 received by any one beneficiary was capped at 50 shares

The Award and contract period became final and the beneficiaries issued shares in August 2009 for those employees meeting the Presence criteria since the Performance criteria based on the group's EBITDA target was met

The employees received 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

	2009	2008
	£000	£000
At 1 January	**359**	(166)
Granted during the year	**1,006**	2,094
Change in liability	**(1,685)**	(1,569)
At 31 December	**(320)**	359

The value of the shares granted during the year represents the charge in the Profit and Loss statement This is accounted for at the share price (basic price) on date of announcement of the plan being €72 50 or £48 99 The balance of the liability is nil since the shares have vested in the year The difference represents the amount that has been debited to reserves over the life of the scheme

7. Interest receivable and similar income

	2009	2008
	£m	£m
Interest receivable on loans to other Group companies	-	1 1

8 Interest payable and similar charges

	2009	2008
	£m	£m
Net interest cost on pension scheme	**1.0**	0 3

NOTES TO THE FINANCIAL STATEMENTS continued

9 Tax on loss on ordinary activities

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

UK Current Tax	2009 £m	2008 £m
UK corporation tax on loss	**(3.3)**	1 6
Adjustment in respect of previous years	**(0.8)**	(1 3)
Total current tax (credit)/charge for the year (note b)	**(4.1)**	0 3

UK deferred tax	2009 £m	2008 £m
Origination and reversal of timing differences	**2.9**	(1 4)
Adjustment in respect of previous years	**(0.5)**	1 7
Total deferred tax charge for the year	**2.4**	0 3
Total tax (credit)/charge on profit on ordinary activities	**(1.7)**	0 6

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

The tax assessed for the year is lower (2008 higher) than the standard rate of corporation tax in the UK

The differences are explained below

	2009 £m	2008 £m
Loss on ordinary activities before tax	**(1.0)**	(0 7)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28 5%)	**(0.3)**	(0 2)
Effect of		
Capital allowances (in excess of)/less than depreciation	**(0.4)**	0 4
Movement in pension liability	**(2.3)**	-
Other timing differences	**(0.2)**	1 0
Expenses not deductible for tax purposes	**(0.1)**	0 4
Adjustment in respect of previous years	**(0 8)**	(1 3)
Current tax (credit)/charge for the year	**(4.1)**	0 3

NOTES TO THE FINANCIAL STATEMENTS continued

10 Tangible fixed assets

	Fixtures & Fittings, Tools & Equipment £m	Total £m
Cost		
At 1 January 2009 and 31 December 2009	81 0	81 0
Depreciation		
At 1 January 2009	79 8	79 8
Charge for the year	1 2	1 2
At 31 December 2009	**81.0**	**81.0**
Net book value		
At 31 December 2009	-	-
At 31 December 2008	1 2	1 2

There were no assets in the course of construction included within tangible fixed assets as at 31 December 2009 and 31 December 2008

11. Stocks

	2009 £m	2008 £m
Raw materials and consumables	**19.1**	19 4
Work in progress	**10.8**	15 8
	29.9	35 2

The replacement cost of stocks held by the Company at 31 December 2009 and 31 December 2008 was not materially different to the amount at which they are stated in the financial statements

NOTES TO THE FINANCIAL STATEMENTS continued

12 Debtors

	2009 £m	2008 £m
Trade debtors	**15.9**	18 1
Amounts recoverable on contracts	**1.5**	3 2
Amounts owed by Group undertakings	**116.6**	149 2
Deferred tax asset	**4.0**	4 1
Other debtors	**7.9**	7 7
Prepayments and accrued income	**12 1**	13 4
	158.0	195 7

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

	2009 £m	2008 £m
Accelerated capital allowances	**2.9**	3 1
Short term timing differences	**1.1**	1 0
	4.0	4 1

The movements in deferred taxation are as follows

	At 1 January 2009 £m	Profit and loss account £m	Statement of total recognised gains and losses £m	At 31 December 2009 £m
Deferred tax asset	4 1	(0 1)	-	**4 0**
Deferred tax shown against pension liability	3 2	(2 3)	9 5	**10 4**
Net deferred tax	**7.3**	**(2.4)**	**9 5**	**14 4**

NOTES TO THE FINANCIAL STATEMENTS continued

13. Creditors: amounts falling due within one year

	2009 £m	2008 £m
Payments received on account	**18.5**	18 5
Trade creditors	**31.5**	46 2
Corporation tax (Group payments)	**0.8**	2 4
Amounts owed to Group undertakings	**32 6**	34 5
Other taxation and social security	**0.1**	0 1
Other creditors	**7.5**	12 8
Accruals and deferred income	**79.4**	81 2
	170.4	195 7

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

	2009 Number	2008 Number	2009 £	2008 £
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 2009 £m	Arising during the year £m	Released during the year £m	**At 31 December 2009 £m**
Insurance	7 9	-	(0 9)	**7.0**
Other	2 1	-	(0 3)	**1 8**
	10.0	**-**	**(1.2)**	**8.8**

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 3m (2008 £0 4m), expected to be incurred over a period of up to 5 years and a provision for legal fees amounting to £1 5m (2008 £1 7m) expected to become payable within 2 years

15. Share capital

Authorised

	2009 £m	2008 £m
25,000,000 (2008 25,000,000) H ordinary shares of £1 each	**25.0**	25 0
25,000,000 (2008 25,000,000) I ordinary shares of £1 each	**25.0**	25 0
	50.0	50 0

Allotted, called up and fully paid

	2009 Number	2008 Number	**2009 £m**	2008 £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

	Share Capital	Share Premium Account	Capital Reserves	Profit and Loss Account	**Total Shareholder's Funds**
	£m	£m	£m	£m	**£m**
At 1 January 2008	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**
Profit for the financial year	-	-	-	0 7	**0 7**
Share based payment (note 6)	-	-	(0 7)	-	**(0.7)**
Transfer to profit and loss account	-	-	0 3	(0 3)	**-**
Actuarial gain net of deferred tax on defined pension benefits (note 18)	-	-	-	(24 5)	**(24.5)**
At 31 December 2009	**2 0**	**28.0**	**-**	**(34 5)**	**(4 5)**

17. Financial Commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2008 £nil)

Operating lease commitments

At 31 December 2009, the Company had annual commitments under non cancellable operating leases in respect of motor vehicles as set out below

	2009	2008
	£m	£m
Operating leases which expire		
Within one year	**0.8**	0 3
In two to five years	**5.5**	5 9
In more than five years	**1.6**	1 3
	7.9	7 5

NOTES TO THE FINANCIAL STATEMENTS continued

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

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

	2009	2008
	%	%
Discount rate		
- ESPS	**5.7**	6 5
- EEPS	**5.6**	6 5
Inflation assumption		
- ESPS	**3.6**	2 6
- EEPS	**3.8**	2 6
Rate of increase in salaries		
- ESPS	**5.6**	4 6
- EEPS	**5.3**	4 1
Rate of increase of pensions increases RPI		
- full retail price indexation ("RPI")	**3.6**	2 6

NOTES TO THE FINANCIAL STATEMENTS continued

18. Pension commitments continued

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

	31 December 2009 years	31 December 2008 years
Life expectancy for current male pensioner aged 60	**27.2**	27 0
Life expectancy for current female pensioner aged 60	**30.5**	30 4
Life expectancy for future male pensioner currently aged 40 from age 60	**30.0**	29 9
Life expectancy for future male pensioner currently aged 40 from age 60	**31.8**	31 7

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 2009 £m	**EEPS 2009 £m**	**Total 2009 £m**	Total 2008 £m
Fair value of scheme assets	**107.9**	**29.5**	**137.4**	100 2
Present value of defined benefit obligations	**(136 7)**	**(38.0)**	**(174.7)**	(111 5)
Deficit in scheme	**(28 8)**	**(8.5)**	**(37.3)**	(11 3)
Related deferred tax asset	**8.1**	**2.3**	**10.4**	3 2
Liability recognised in the balance sheet	**(20.7)**	**(6.2)**	**(26.9)**	(8 1)

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

	ESPS 2009 £m	**EEPS 2009 £m**	**Total 2009 £m**	Total 2008 £m
Current service cost	**(12.4)**	**(2.4)**	**(14.8)**	(21 3)
Interest cost	**(6.0)**	**(0.9)**	**(6.9)**	(6 3)
Expected return on scheme assets	**4.8**	**1.1**	**5.9**	6 0
Changes arising on curtailments	-	-	-	(0 8)
	(13.6)	**(2.2)**	**(15.8)**	(22 4)

Of the charge for the year £14 8m (2008 £22 1m) has been included in cost of sales and distribution costs and an expense of £1 0m (2008 £0 3m) has been included in interest payable The estimated amount of contributions expected to be paid to the schemes during 2010 is £22 8m

NOTES TO THE FINANCIAL STATEMENTS continued

18. Pension commitments continued

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

	ESPS 2009 £m	EEPS 2009 £m	Total 2009 £m	Total 2008 £m
At 1 January	(93.7)	(17.8)	(111.5)	(109 5)
Current service cost	(12.4)	(2 4)	(14.8)	(21 3)
Changes arising on curtailments	-	-	-	(0 8)
Interest cost	(6.0)	(0.9)	(6.9)	(6 3)
Actuarial (loss)/gain	(29.5)	(15.0)	(44.5)	23 7
Benefits paid/(received)	4.9	(1.9)	3.0	2 7
At 31 December	(136 7)	(38 0)	(174 7)	(111 5)

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

	ESPS 2009 £m	EEPS 2009 £m	Total 2009 £m	Total 2008 £m
At 1 January	81 8	18 4	100 2	97 4
Expected return on scheme assets	4 8	1 1	5.9	6 0
Actuarial gain/(loss)	7.4	3.1	10 5	(22 8)
Contributions by employer	16.6	4.5	21.1	19 9
Deficit payment	2.2	0 5	2 7	2 4
Benefits (paid)/received	(4 9)	1 9	(3.0)	(2 7)
At 31 December	107.9	29 5	137 4	100 2

NOTES TO THE FINANCIAL STATEMENTS continued

18 Pension commitments continued

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

	Expected Return		Fair value of assets			
	2009	2008	**2009 ESPS**	**2009 EEPS**	**2009 Total**	2008 Total
	%	%	**£m**	**£m**	**£m**	£m
Gilts - fixed	**4.6**	3 9	**11.5**	**-**	**11 5**	22 7
- index linked	**4.5**	3 8	**12 2**	**-**	**12.2**	10 8
Equities	**8.2**	7 5	**46 3**	**12 8**	**59.1**	46 6
Property	**8.7**	6 5	**2.4**	**0 9**	**3 3**	2 5
Corporate bonds	**5.9**	5 6	**30.6**	**12.2**	**42 8**	16 6
Cash	**0.7**	3 2	**4.9**	**3.6**	**8 5**	1 0
			107.9	**29.5**	**137 4**	100 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 each of ESPS and EEPS as at 31 December 2009

The actual return on scheme assets in the year was a gain of £16 4m (2008 loss £16 8m)

History of experience gains and losses are as follows

	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Fair value of scheme assets	**137.4**	100 2	97 4	76 3	55 9
Present value of defined obligations	**(174.7)**	(111 5)	(109 5)	(85 2)	(65 1)
Deficit in the scheme	**(37.3)**	(11 3)	(12 1)	(8 9)	(9 2)
Experience adjustments on scheme liabilities					
Amount (£m)	**(1.0)**	1 8	(3 2)	-	(0 7)
Percentage of scheme liabilities (%)	**0.6**	1 6	2 9	-	1 1
Experience adjustments on scheme assets					
Amount (£m)	**10.5**	(22 8)	0 3	0 6	3 0
Percentage of scheme assets (%)	**7.6**	22 8	0 3	0 8	5 4

NOTES TO THE FINANCIAL STATEMENTS continued

18. Pension commitments continued

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

	ESPS 2009 £m	EEPS 2009 £m	Total 2009 £m	Total 2008 £m
At 1 January	(1.7)	3 9	2.2	1 5
Actuarial (loss)/gain	(22 1)	(11.9)	(34.0)	0 9
Deferred taxation	6 2	3.3	9 5	(0 2)
At 31 December	**(17.6)**	**(4.7)**	**(22.3)**	2 2

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is a loss of £22 3m (2008 gain £2 2m)

19. 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

20 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 2009, 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