EDF ENERGY POWERLINK LIMITED

Registered Number 3221818

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2007

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Directors

Alan T Feakins
Lynn Gladwell
Trevor J Gregory
Robert E Lane
Paul D Northwood
Brian Walker

Company Secretary

Nicholas R Zentner

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Registered Office

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Victoria
London
SW1X 7EN

DIRECTORS' REPORT

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

Principal activity and review of the business

The Company's principal activity during the year continued to be the operation, maintenance and renewal of electrical distribution and power generation equipment in respect of the Power Service Contract with EDF Energy Powerlink Limited's principal customer, London Underground Limited ("London Underground") Powerlink undertakes its obligations under the Power Service Contract as part of a project delivery structure which includes an associated company, Power Asset Development Company Ltd It will continue in this activity for the foreseeable future

From last year Powerlink has conducted a series of negotiations with London Underground and agreed to modify certain aspects of the Power Service Contract The re-negotiated contract arrangements were subsequently signed on 20 March 2007

On signature of the re-negotiated contract, London Underground's right to terminate the contract in relation to breach of certain performance conditions in 2005 was removed, and the project's lenders confirmed that they had waived their right to recall the borrowing facilities

On-going compliance with the re-negotiated Power Service Contract is monitored by London Underground against a performance regime which obliges Powerlink to achieve certain performance standards in operating and maintaining the electrical infrastructure on the London Underground, along with specified standards for the administration and management by Powerlink of its obligations under the contract

Powerlink's performance in respect of the standards specified in the performance regime is reviewed formally by Powerlink and London Underground on a periodic basis

The project's lenders monitor their exposure to the project through a combination of reports on Powerlink's compliance with the Power Service Contract performance regime and specified financial ratios which are reviewed twice each year to check that the financial position of the project remains consistent with the level indicated in the original project financial model

In keeping with similar service delivery contracts, the key risks under the Power Service Contract result from the contract obligations on Powerlink to deliver the standards set out in the performance regime, as well as the need to achieve this performance standard within the financial and other economic parameters set out in the original project financial model

The Victoria Line Power Upgrade has progressed well during the year, and was 42% complete at the year end Powerlink's Lost Time Incident frequency rate has reduced from 0 78 to 0 21 per 100,000 hours during 2007, with a 20% overall reduction in accidents on 2006

As shown in the Company's profit and loss account on page 7, the Company's turnover in 2007 has increased by 72 4% over the prior year and profit after tax has similarly improved from £1,036,000 to £2,610,000

The balance sheet on page 8 of the financial statements shows that the Company's financial position at the year end is, in both net assets and cash terms, consistent with the prior year Details of amounts owed to other group companies are shown in note 11 on page 16

Results and dividends

The profit for the year, before taxation, amounted to £3,770,000 (2006 £1,524,000) and after taxation, to £2,610,000 (2006 £1,036,000) The Directors do not recommend payment of a dividend (2006 £nil)

Future developments

The Directors regard the results for the year and the year end financial position as satisfactory and expect the Company to continue to perform to a satisfactory level in the future

DIRECTORS' REPORT continued

Directors and their interests

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

Paul Cuttill	(resigned 10 June 2008)
Arthur J Dalton	(resigned on 20 August 2007)
Stephen J Date (Alternate director)	(resigned on 29 March 2007)
Alan T Feakins (Alternate director)	(appointed 19 March 2008)
Lynn Gladwell (Alternate director)	(appointed 7 January 2008)
Trevor J Gregory	
Robert E Lane	(appointed 29 March 2007)
Kevin Morton	(resigned on 29 March 2007)
Paul D Northwood (Alternate director)	
Michael M B Ross	(resigned 10 May 2007)
Ian K Rylatt (Alternate director)	(resigned on 7 January 2008)
Christopher Spencer	(resigned 10 May 2007)
Brian Walker	(appointed 10 May 2007)

None of the Directors had a service contract with the Company in the current or prior year Each Director is employed by one of the shareholding or affiliated group Companies, EDF Energy plc, ABB Investments Ltd or Balfour Beatty Infrastructure Investments Limited and has service contracts with the respective Company

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

The Company has made qualifying third party indemnity provisions for the benefit of all its Directors who held office during the year The policy remains in force at the date of this report for directors currently in office

Political and charitable contributions

During the year, the Company made various charitable contributions totalling £100 (2006 £400) and no political contributions in either year

Creditors payment policy

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

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

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception At 31 December 2007, the Company had an average of 12 days (2006 23 days) purchases outstanding in its trade creditors

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

DIRECTORS' REPORT continued

Credit and liquidity risk

The Company's exposure to credit and liquidity risk is reduced as it is a subsidiary of the EDF Energy Group of Companies and its principal customer is London Underground which is a quasi governmental organisation Credit risk is mitigated by the nature of the debtor balances owed Where such balances are due from other Group companies, these balances are with entities which are able to repay these if required and liquidity risk is mitigated by the financial support given by EDF Energy South East plc, a fellow Group company

Employees

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 the various factors affecting the performance of the Company

The Company keeps its employees informed on matters affecting them relating to the EDF Energy 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

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

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

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

KPMG Audit Plc will be re-appointed as the Company's auditors in accordance with the elective resolution passed by the Company under section 386 of the Companies Act 1985

By order of the Board

N. Zentner

Nicholas R Zentner
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

We have audited the financial statements of EDF Energy Powerlink Limited for the year ended 31 December 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, cash flow statement and the related notes 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 on page 5

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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and Registered Auditors
London

22 July 2008

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £000	2006 £000
Turnover	2	**104,627**	60,683
Cost of sales		**(99,617)**	(54,175)
Gross profit		**5,010**	6,508
Administrative expenses		**(3,918)**	(6,642)
Operating profit/(loss) on ordinary activities before interest and taxation	3	**1,092**	(134)
Net interest receivable	6	**2,678**	1,658
Profit on ordinary activities before taxation		**3,770**	1,524
Tax on profit on ordinary activities	7	**(1,160)**	(488)
Profit for the financial year	13	**2,610**	1,036

All results are derived from continuing operations in both the current and preceding year All activities relate to the same operational and geographic segment

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £000	2006 £000
Profit for the financial year		**2,610**	1,036
Actuarial gain net of deferred tax on defined benefit pensions	15	**642**	197
Deferred tax rate change		**(1)**	-
Total gains recognised since last annual report		**3,251**	1,233

The deferred tax reflected in the actuarial gain net of deferred tax on defined benefit pensions amounted to a charge of £250,000 (2006 £390,000) The £1,000 deferred tax rate change reflects the reduction in the main stream corporation tax rate from 30% to 28% from 1 April 2008

BALANCE SHEET
AT 31 DECEMBER 2007

	Note	2007 £000	2006 £000
Fixed assets			
Tangible assets	8	**680**	774
Current assets			
Stocks	9	**2,527**	2,849
Pension reimbursement right asset	10	-	16,820
Other debtors	10	**30,391**	28,238
Cash		**55,098**	41,661
Total current assets		**88,016**	89,568
Creditors: amounts falling due within one year	11	**(73,750)**	(61,423)
Net current assets		**14,266**	28,145
Total assets less current liabilities		**14,946**	28,919
Net assets excluding pension asset/(liability)		**14,946**	28,919
Pension liability	15	**(67)**	(17,277)
Net assets		**14,879**	11,642
Capital and reserves			
Called up share capital	12	**1,000**	1,000
Profit and loss account	13	**13,879**	10,642
Shareholder's funds	13	**14,879**	11,642

The accounts on pages 7 to 26 were approved by the Board of Directors on 22 July 2008 and were signed on its behalf by

ROBERT LANE
Director

ALAN FEAKINS
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £000	2006 £000
Net cash inflow/(outflow) from operating activities	*17a*	**10,612**	(807)
Returns on investments and servicing of finance			
Interest received		**2,605**	1,879
Interest paid		**-**	(3)
		2,605	1,876
Taxation			
Corporation tax		**(490)**	(472)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(190)**	(169)
Financing			
Receipt of loan		**900**	2,500
Net increase in cash		**13,437**	2,928

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	2007 £000	2006 £000
Increase in cash	**13,437**	2,928
Net cash at 1 January	**41,661**	38,733
Net cash at 31 December	**55,098**	41,661

NOTES TO THE FINANCIAL STATEMENTS continued

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 explained below in the pensions accounting policy

Long term contract

The contract between EDF Energy Powerlink Limited and London Underground for the operation, maintenance and upgrade of London Underground's electricity distribution system is accounted for as a long term contract, with turnover and profits being recognised in proportion to progress on defined segments of the contract

The amounts of expenditure on long term contracts net of amounts transferred to cost of sales and payments on account are separately included within stock To the extent invoices raised exceed turnover and long term contract balances they are included as deferred income within creditors

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, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows

Motor vehicles	–	5 years
Equipment and fittings	–	5 years

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, consumables and goods for resale	-	Purchase cost on an average price basis
Work in progress and finished goods	-	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

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, 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

Leasing and hire purchase commitments

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 participates in a number of defined benefit pension schemes for the benefit of eligible employees 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

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

An employee benefit reimbursement right asset is recognised at its fair value where the Company is entitled to reimbursement by a third party of all or part of any contributions required by the scheme to fund any deficit in the scheme In the prior year the Company had a reimbursement right asset through a contractual obligation on the part of London Underground, as detailed in note 15

NOTES TO THE FINANCIAL STATEMENTS continued

1. Accountıng polıcies continued

Pensions contınued

Changes ın the faır value of the employee benefit reımbursement rıght asset are recognısed ımmedıately ın the statement of total recognısed gaıns to the extent that they relate to actuarıal gaıns and losses ın the defined benefit scheme to whıch the reımbursement rıght asset relates Thıs ıs a departure from the requırements of FRS 3 *Reportıng Fınancıal Performance*, whıch requıres that gaıns and losses may be excluded from the profit and loss account only ıf they are specıfically permıtted or requıred to be taken dırectly to reserves by that or other accountıng standards or, ın the absence of a relevant accountıng standard, by law The departure ıs consıdered necessary to gıve a true and faır vıew as movements ın the faır value of the employee benefit reımbursement rıght asset are closely assocıated wıth the actuarıal gaıns and losses ın the defined benefit scheme to whıch the reımbursement rıght asset relates and as noted above, such gaıns and losses on the scheme are recognısed ın the statement of total recognısed gaıns and losses The effect on the fınancıal statements of thıs departure ıs to decrease reported profit for the year by £10,160,000 (2006 £2,230,000) wıth an equal and opposıte ımpact on the statement of total recognısed gaıns and losses It has no effect on the net assets of the Company ın eıther the current or the prıor year

Share based payments

The Company's ultımate parent company, Electrıcıté de France S A ("EDF") ıs lısted on Euronext, the French stock exchange 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 base value on date of announcement Any contrıbutıon to the scheme ıs charged to the ıncome statement ın the perıod ın whıch ıt arıses, at the faır value determıned, and apportıoned ın 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

2. Turnover

Turnover, whıch ıs stated net of value added tax, arıses entırely ın the Unıted Kıngdom and ıs attrıbutable to the contınuıng actıvıtıes of maıntenance, operatıon and renewal of electrıcal dıstrıbutıon and power generatıon equıpment ın respect of the London Underground Lımıted Power Servıce Contract

3 Operatıng profıt/(loss)

Thıs ıs stated after chargıng	**2007**	2006
	£000	£000
Share based payments	**65**	-
Depreciatıon of owned fixed assets	**284**	280
Operatıng lease rentals - plant and machınery	**21,980**	24,366

Amounts payable to KPMG Audıt plc and theır assocıates by the Company ın respect of audıt servıces amounted to £52,700 (2006 £54,000) No amounts were payable for non audıt servıces (2006 £nıl)

NOTES TO THE FINANCIAL STATEMENTS continued

4. Directors' emoluments

	2007 £000	2006 £000
Emoluments	**126**	-

	2007 Number	2006 Number
Members of defined benefit pension scheme	**1**	-

Only one director's emoluments is paid by the Company (2006 £nil) No other directors received emoluments from the Company as their emoluments are paid directly by the shareholders

5. Staff costs

	2007 £000	2006 £000
Wages and salaries	**11,081**	12,267
Social security costs	**1,108**	1,092
Other pension costs	**1,883**	1,840
Recharged from other group companies	**621**	216
	14,693	15,415

The monthly average number of employees including directors, during the year was as follows

	2007 Number	2006 Number
Industrial	**230**	243
Administration	**29**	43
	259	286

There are EDF Energy plc employees seconded to EDF Energy Powerlink Limited whose salary costs are borne by EDF Energy plc and recharged to EDF Energy Powerlink Limited via an inter-business arrangement These employees are included in the above disclosure

6 Net interest receivable

	2007 £000	2006 £000
Interest receivable	**2,670**	1,640
Other finance income on pension scheme (note 15)	**8**	21
Interest payable on bank loans and overdrafts	**-**	(3)
	2,678	1,658

NOTES TO THE FINANCIAL STATEMENTS continued

7. Tax on profit on ordinary activities

a) Analysis of tax charge in the year

UK current tax

	2007	2006
	£000	£000
UK corporation tax charge on profit for the year	**1,201**	489
Adjustment in respect of prior years	**1**	31
Total current tax charge (note 7(b))	**1,202**	520

UK deferred tax

	2007	2006
	£000	£000
Origination and reversal of timing differences	**(66)**	(32)
Change in tax rate	**24**	-
Total deferred tax credit	**(42)**	(32)
Tax charge on profit on ordinary activities	**1,160**	488

(b) Factors affecting tax charge for the year

The tax assessed for the period is higher (2006 higher) than the standard rate of corporation tax in the UK of 30% The differences are explained below

	2007	2006
	£000	£000
Profit on ordinary activities before taxation	**3,770**	1,524
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	**1,131**	457
Effect of		
Capital allowances in excess of depreciation	**(29)**	(49)
Movement in pension liability	**99**	81
Adjustment in respect of previous years	**1**	31
Current tax charge for the year	**1,202**	520

NOTES TO THE FINANCIAL STATEMENTS continued

8. Tangible fixed assets

	Motor vehicles	Equipment and fittings	Total
	£000	£000	£000
Cost			
At 1 January 2007	29	5,000	5,029
Additions	-	190	190
At 31 December 2007	**29**	**5,190**	**5,219**
Depreciation			
At 1 January 2007	23	4,232	4,255
Charge for the year	4	280	284
At 31 December 2007	**27**	**4,512**	**4,539**
Net book value			
At 31 December 2007	**2**	**678**	**680**
At 31 December 2006	6	768	774

9 Stocks

	2007	2006
	£000	£000
Raw materials and consumables	**2,527**	2,488
Work in progress	-	361
	2,527	2,849

10. Debtors

	2007	2006
	£000	£000
Pension reimbursement right asset	-	16,820
Other debtors		
Trade debtors	**9,880**	9,718
Amounts owed by other group companies	**345**	58
Amounts owed by other related companies	**1,261**	778
Other debtors	**391**	929
Deferred tax	**128**	166
Prepayments and accrued income	**18,386**	16,589
	30,391	28,238

NOTES TO THE FINANCIAL STATEMENTS continued

10. Debtors continued

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

	2007	2006
	£000	£000
Depreciation in excess of capital allowances	**128**	166

The movements in deferred taxation are as follows

	At 1 January 2007	Profit and loss account	Statement of total recognised gains and losses	**At 31 December 2007**
	£000	£000	£000	**£000**
Deferred tax asset	166	(38)	-	**128**
Deferred tax shown against pension liability	196	80	(250)	**26**
Net deferred tax	362	42	(250)	**154**

Finance Act 2007 announced a reduction in the main stream corporation tax rate from 30% to 28% from 1 April 2008 £24,000 has been debited to the profit and loss account for the year to reflect this change A deferred tax asset has been recognised since the Directors are satisfied that it is recoverable against future taxable profits

11. Creditors. amounts falling due within one year

	2007	2006
	£000	£000
Trade creditors	**764**	670
Amounts owed to other group companies	**5,268**	4,719
Amounts owed to related companies	**2,496**	2,620
Corporation tax payable	**1,209**	497
Accruals and deferred income	**59,922**	50,107
Shareholder loan	**3,400**	2,500
Other creditors, including taxation and social security	**691**	310
	73,750	61,423

NOTES TO THE FINANCIAL STATEMENTS continued

12. Share capital

Authorised

	2007 Number	2006 Number	2007 £000	2006 £000
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10,000**	10,000

Allotted, called up and fully paid

	2007 Number	2006 Number	2007 £000	2006 £000
Ordinary shares of £1 each	**1,000,000**	1,000,000	**1,000**	1,000

On 11 August 1998 EDF Energy Powerlink Limited issued 10,000,000 ordinary shares with a paid up value of £1 per share to shareholders, of which only 1,000,000 were called up and fully paid, with a contractual agreement to settle the outstanding amounts upon written notice in the event of further funding requirements

13. Reconciliation of shareholder's funds and movement on reserves

	Share Capital £000	Profit and loss account £000	**Total share-holder's funds** £000
At 1 January 2006	1,000	9,409	10,409
Retained profit for the year	-	1,036	1,036
Actuarial losses net of deferred tax on defined benefit pensions	-	197	197
At 31 December 2006	1,000	10,642	11,642
Retained profit for the year	-	2,610	2,610
Share based payments (note 19)	-	(14)	(14)
Prior period tax adjustment for deferred tax	-	(1)	(1)
Actuarial loss net of deferred tax on defined pensions benefits	-	642	642
At 31 December 2007	**1,000**	**13,879**	**14,879**

14 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2006 £nil)

NOTES TO THE FINANCIAL STATEMENTS continued

15. Pension commitments

EDF Energy Powerlink Limited participates in three pension schemes as set out below, of which two are operated by EDF Energy plc and the third is operated by Transport for London ('TFL')

The principal pension schemes of EDF Energy plc are the EDF Energy Pension Scheme ('EEPS') and the EDF Energy Group section of the Electricity Supply Pension Scheme ('ESPS') Both of these schemes are defined benefit schemes On 1 September 2005, the EDF Energy Group section of the ESPS was created by the merger of EDF Energy's two ESPS Group sections, the London Electricity Group section of the ESPS and the SEEBOARD Group section of the ESPS The London Electricity Group and SEEBOARD Group sections of the ESPS closed to new employees in April 1994 and July 1995 respectively, following which, 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 non-ESPS pension schemes was a defined benefit scheme, whilst all the others are defined contribution schemes

The EDF Energy Group closed its non-ESPS pension schemes (LERP, 24seven GPP and the SEEBOARD Pension Investment 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 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 TFL pension scheme is a final salary scheme for eligible employees of Transport for London and its operating businesses which include London Underground EDF Energy Powerlink contributes to the TFL scheme for those employees who were transferred to Powerlink under TUPE The TFL pension scheme is a multi-employer scheme in which the assets and liabilities relative to each participating employer are separately identifiable Accordingly, the following disclosures relate only to the section of the scheme attributable to EDF Energy Powerlink

In the prior year the Company had an employee benefits reimbursement right asset connected to the TFL pension scheme This arose through the contractual obligation that London Underground Limited has with the Company to reimburse any payments that are required of the Company by the scheme to fund a scheme deficit that exceeds an agreed annual contribution calculated as a percentage of the gross annual salaries of the EDF Energy Powerlink employees who are members of the scheme For the periods up to the end of March 2007, the agreed annual contribution percentage was 16 2% of gross salaries of applicable employees From April 2007 onwards, the agreed annual contribution percentage has increased to 25 25% This reimbursement right asset was recognised in debtors The TFL pension scheme is a surplus this year, and therefore there is no reimbursement right asset

The latest full actuarial valuations of the EDF Energy Group section of the ESPS was carried out by Hewitt Bacon & Woodrow, consulting actuaries, as at 31 March 2007 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 latest actuarial valuation of the TFL pension scheme was carried out by Watson Wyatt as at 31 March 2006 The results of this valuation have been updated to determine the FRS17 liabilities as at 31 December 2006 and 31 December 2007

The TFL pension scheme is closed to new entrants and so the service cost under the projected unit method is expected to increase as the members of the scheme approach retirement

The outstanding pension contribution at the year end is £151k (2006 £101k)

NOTES TO THE FINANCIAL STATEMENTS continued

15. Pension commitments continued

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

	ESPS and EEPS		TFL	
	2007	2006	**2007**	2006
	% p.a	% p a	**% p.a**	% p a
Discount rate	**6.0**	5 2	**5.9**	5 1
Inflation assumption	**3.3**	3 1	**3.1**	3 1
Rate of increase in salaries			**4.6**	4 6
- ESPS	**5.3**	4 1		
- EEPS	**4.8**	4 1		
Rate of increase of pensions increases				
- full retail price indexation ("RPI")	**3.3**	3 1	**3.1**	3 1
- RPI up to 5%(EEPS - service to 31 March 2006)	**3.3**	3 1		
- RPI up to 2 5%(EEPS - service from 31 March 2006)	**2.3**	2 3		

These assumptions are governed by FRS 17, and do not reflect the assumptions used by the independent actuary in the triennial valuation of EEPS and ESPS as at 31 March 2007, which determined the EDF Energy Group's contribution rate for future years, or of the assumptions used by the independent actuary in the triennial valuation of TFL as at 31 March 2006, which determined the Powerlink contribution rate for future years

When an individual ceases to be an active member of the Powerlink section of the TFL pension scheme (either as an early leaver, a retiree or due to death), the obligation to provide the pension benefits is transferred from the Powerlink section of the scheme, to a public sector section of the scheme At the same time, there is an associated transfer of assets from the Powerlink section to the public sector section (known as an inter-section transfer value, or "IST") The defined benefit liability has been measured under FRS 17 as the value of the assets to be transferred from the Powerlink section of the TFL pension scheme using the assumptions in the above table for the period prior to the transfer and the actual assumptions used to determine the assets transferred at the point of transfer

During 2007, as part of the process for agreeing the 2006 funding valuation of the Fund, the Trustees decided to change the basis on which ISTs were calculated This led to increased ISTs in some circumstances (for example early leavers) but substantially reduced ISTs in other cases (for example on retirement) This change took effect for ISTs paid from August 2007 Overall, for the EDF section, the expected level of ISTs has fallen and the resulting decrease in scheme liabilities has been accounted for as a change in actuarial assumptions in the STRGL

NOTES TO THE FINANCIAL STATEMENTS continued

15 Pension commitments continued

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

	TFL 2007 £000	ESPS 2007 £000	EEPS 2007 £000	Total 2007 £000	Total 2006 £000
Fair value of scheme assets	34,920	1,778	2,855	39,553	30,678
Present value of defined benefit obligations	(34,310)	(1,921)	(3,415)	(39,646)	(48,151)
Surplus/(deficit) in scheme	610	(143)	(560)	(93)	(17,473)
Related deferred tax (liability)/asset	(171)	74	123	26	196
Asset/(liability) recognised in the balance sheet	439	(69)	(437)	(67)	(17,277)

This amount is presented in pension liabilities

Analysis of the amounts charged to the profit and loss account in respect of these defined benefit schemes are as follows

	TFL 2007 £000	ESPS 2007 £000	EEPS 2007 £000	Total 2007 £000	Total 2006 £000
Current service cost	1,760	-	673	2,433	1,862
Changes arising on curtailments	-	-	-	-	4
Total operating cost	1,760	-	673	2,433	1,866

Analysis of the amount (debited)/credited to interest income

	TFL 2007 £000	ESPS 2007 £000	EEPS 2007 £000	Total 2007 £000	Total 2006 £000
Expected return on pension scheme assets	1,990	108	154	2,252	1,770
Interest on pension scheme liabilities	(2,190)	(97)	(158)	(2,445)	(2,171)
Net return on pension scheme	(200)	11	(4)	(193)	(401)

The expected return on the reimbursement asset for 2007 was £200k (2006 £380k) which offsets exactly the net financing charge of the TFL scheme

NOTES TO THE FINANCIAL STATEMENTS continued

15 Pension commitments continued

Analysis of the actuarial gain/(loss) in the statement of total recognised gains and losses

	TFL 2007 £000	ESPS 2007 £000	EEPS 2007 £000	Total 2007 £000	Total 2006 £000
Actual return less expected return on pension scheme assets	470	3	31	504	1,001
Experience gains and losses arising on scheme liabilities	(900)	(87)	-	(987)	(2,184)
Changes in assumptions underlying the present value of the scheme liabilities	11,200	82	253	11,535	3,694
Actuarial gain/(loss)	10,770	(2)	284	11,052	2,511
Deferred tax	(171)	1	(80)	(250)	(84)
Actuarial gain/(loss) net of deferred tax	10,599	(1)	204	10,802	2,427

The actuarial loss on the reimbursement asset for 2007 was £10,160k (2006 £2,230k)

Movements in the schemes actuarial deficit in the current period were as follows

	TFL 2007 £000	ESPS 2007 £000	EEPS 2007 £000	Total 2007 £000	Total 2006 £000
At 1 January	(16,820)	(189)	(464)	(17,473)	(19,094)
Current service cost	(1,760)	-	(673)	(2,433)	(3,141)
Curtailments	-	-	-	-	(4)
Contributions	8,620	-	300	8,920	2,577
Deficit payments	-	34	-	34	36
Net finance income	(200)	12	(5)	(193)	(359)
Actuarial gain/(loss)	10,770	(2)	284	11,052	2,512
At 31 December	610	(145)	(558)	(93)	(17,473)

NOTES TO THE FINANCIAL STATEMENTS continued

15. Pension commitments continued

Movements in the TFL reimbursement right asset in the current period were as follows

	2007 £000	2006 £000
At 1 January	16,820	18,430
Other finance charge	200	380
Contributions	(8,620)	(1,780)
Current service cost	1,760	2,020
Actuarial loss	(10,160)	(2,230)
At 31 December	-	16,820

The actuarial loss stated in the above table is only recognising the amount that is required to bring the reimbursement right asset to £nil, there is no TFL reimbursement right asset to be recognised as the scheme is in surplus

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

	Expected Return				Fair value of assets				
	2007	2006	2007	2006	2007	2007	2007	2007	2006
			ESPS/	ESPS/					
	TFL	TFL	EEPS	EEPS	TFL	ESPS	EEPS	Total	Total
	%	%	%	%	£000	£000	£000	£000	£000
Gilts	-	-	4.6	4 5	-	667	-	667	683
Equities	8.3	8 2	8.2	8 2	19,770	805	1,183	21,758	17,431
Property	-	-	7.2	7 2	-	42	-	42	47
Corporate bonds	5.0	4 7	5.4	5 0	12,520	169	1,182	13,871	10,093
Cash	4.4	4 6	5.4	5 2	2,630	95	490	3,215	2,424
					34,920	1,778	2,855	39,553	30,678

NOTES TO THE FINANCIAL STATEMENTS continued

15. Pension commitments continued

History of experience gains and losses are as follows

	TFL 2007 £000	ESPS 2007 £000	EEPS 2007 £000	Total 2007 £000	Total 2006 £000	Total 2005 £000	Total 2004 £000
Fair value of scheme assets	34,920	1,778	2,855	39,553	30,678	25,634	21,196
Present value of defined benefit obligations	(34,310)	(1,921)	(3,415)	(39,646)	(48,151)	(44,728)	(35,374)
Surplus/(deficit) in the scheme	610	(143)	(560)	(93)	(17,473)	(19,094)	(14,178)
Experience adjustments on scheme liabilities							
Amount (£000)	(900)	(87)	-	(987)	(2,184)	(725)	(755)
Percentage of scheme liabilities (%)	2.6%	4.5%	0.0%	2.5%	4 5%	1 6%	2 1%
Actual return less expected return on pension scheme assets							
Amount (£000)	470	3	31	504	1,001	2,112	304
Percentage of scheme assets (%)	1.4%	0.2%	1.1%	1.3%	3 3%	8 2%	1 4%
Total recognised in Statement of total recognised gains and losses on defined pension benefit							
Amount (£000)	10,770	(2)	284	11,052	2,511	(4,748)	(2,335)
Percentage of scheme liabilities (%)	31.4%	0 1%	6.0%	27.9%	5 2%	10 6%	6 6%

NOTES TO THE FINANCIAL STATEMENTS continued

16 Other financial commitments

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

	2007	2006
	£000	£000
Operating leases which expire		
within one year	**3**	3
In two to five years	**4**	42
In over five years	**22,828**	21,547
	22,835	21,592

17. Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2007	2006
	£000	£000
Operating profit/(loss)	**1,092**	(134)
Depreciation of tangible fixed assets	**284**	280
FRS 17 pension adjustment	**224**	-
Decrease/(increase) in stocks	**622**	(505)
Increase in debtors	**(2,132)**	(2,238)
Increase in creditors	**10,522**	1,790
Net cash inflow/(outflow) from operating activities	**10,612**	(807)

(b) Analysis of net cash

	At 1 January	Cash flow	**At 31 December**
	2007	2007	**2007**
	£000	£000	**£000**
Cash at bank and in hand	41,661	13,437	**55,098**

Out of the total cash balance of £55,098,000 (2006 £41,700,000) an amount of £38,880,000 (2006 £35,400,000) was held as a reserve balance in accordance with the banking covenants governing the project lending agreements which underpin the Power Service Contract with London Underground These arrangements encompass both EDF Energy Powerlink Limited and Power Asset Development Company Limited, and provide that the secured borrowings of Power Asset Development Company Limited are secured on the assets and undertakings of EDF Energy Powerlink Limited and Power Asset Development Company Limited This reserve balance is required under the project lending agreements to be held separately and can only be used for specific pre-defined authorised purposes, including to enable compliance with future loan repayment obligations and ongoing performance obligations

NOTES TO THE FINANCIAL STATEMENTS continued

18 Share based payments

On 30 August 2007 the ultimate parent company, Electricité de France SA ('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

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 2006-2008 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 it's 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

	2007	2006
	£000	£000
At 1 January	**-**	-
Granted during the period	**65**	-
Future liability	**(79)**	-
At 31 December	**(14)**	-

The value of the shares granted during the period represents the charge in the Profit and Loss statement This is accounted for at the share price (base price) on date of announcement of the plan being €72 50 or £48 99 The balance of the liability is valued at the closing share price at 31 December 2007 of €81 48 or £59 75 The difference represents the amount that has been debited to reserves during the period

NOTES TO THE FINANCIAL STATEMENTS continued

19. Related parties

EDF Energy Powerlink Limited is a subsidiary of EDF Energy plc During the year the Company was charged £4,676,000 (2006 £6,504,000) for materials, property and administration costs, by EDF Energy plc During the year the Company charged EDF Energy plc £978,000 (2006 £882,000) for occupancy charges At the year-end, EDF Energy plc owed the Company £4,923,000 (2006 £4,661,000) for these services

A contract has been entered into with Power Asset Development Company Limited ('PADCo'), a joint venture Company of EDF Energy plc, for the design, construction, commissioning, maintenance and renewal of assets forming part of London Underground Limited's electricity distribution system During the year, the Company was charged £21,980,000 (2006 £22,147,000) for the operating lease rental of network assets This amount is stated after deferring £3,048,000 (2006 £2,510,000 release)

Under the terms of the contract with PADCo, the Company charged PADCo £2,200,000 (2006 £2,094,000) for maintaining the assets constructed by PADCo on its behalf There was an administration fee charged during 2007 of £60,000 (2006 £nil) for administrative costs incurred on PADCo's behalf

At the year end, the Company owed PADCo £1,235,000 (2006 £1,842,000) which comprises creditors totalling £2,496,000 (2006 £2,620,000) and debtors totalling £1,261,000 (2006 £728,000)

A contract has also been entered into with the VLUC (Victoria Line Upgrade Consortium) to deliver certain parts of this construction contract The VLUC is a construction contract provided by ABB Limited, Balfour Kilpatrick and EDF Energy Contracting Limited for approximately £113,000,000 During the year payments were made to the consortium totalling £46,000,000 (2006 £nil) At the year end the Company owed VLUC £6,232,000 (2006 £nil)

20. Parent undertaking and controlling party

EDF Energy (Powerlink Holdings) Limited holds an 80% interest in EDF Energy Powerlink 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

At 31 December 2007, 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 accounts are prepared Copies of that company's consolidated accounts may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France