EDF ENERGY POWERLINK LIMITED

Registered Number 3221818

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2008

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Directors

Lynn Gladwell
Trevor J Gregory
Richard R M Harpley
Robert E Lane
David P Mitchell
Steven Trotter
Brian Walker

Company Secretary

Nicholas R Zentner

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Registered Office

40 Grosvenor Place
Victoria
London
SW1X 7EN

DIRECTORS' REPORT

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

Principal activity and review of the business

EDF Energy Powerlink Limited ("The Company", "Powerlink") principal activities 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 ("PSC") with London Underground Limited ("LUL") as the principal customer. Powerlink undertakes its obligations under the PSC as part of a project delivery structure which includes an associated company, Power Asset Development Company Limited ("PADCo"). Powerlink will continue in these activities for the remaining nineteen years of the PSC.

This year was the second year of the re-negotiated PSC. Compliance with such contract continues to be monitored by LUL against a performance regime which obliges Powerlink to achieve certain performance standards in operating and maintaining the LUL network assets. In addition Powerlink is required to meet specified standards for the administration and management of its obligations under such contract.

Powerlink's performance in respect of the standards specified in the performance regime is reviewed formally by Powerlink and LUL on a periodic basis. An independent evaluation is also completed on a periodical basis by a Technical Advisor, representing the European Investment Bank and the bank syndicate ("Project Lenders").

The Project Lenders monitor the project through a range of operational and financial reports on Powerlink's compliance with the PSC performance regime and specific financial ratios. The financial ratios are reviewed bi-annually in co-ordination with each financial model run. The result is to check that the financial position and forecast of the project remains consistent with the thresholds set out in the original project financial model. During 2008 the nineteenth and twentieth financial model runs were successfully completed, where all financial ratios were met in line with the loan documents.

In keeping with similar service delivery contracts, the key risks under the PSC originate 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.

Powerlink's profit for the year before taxation, as shown on page 7, increased in 2008 by 46.3% over the prior year and profit after tax has similarly improved from £2,610,000 to £3,934,000.

The balance sheet on page 8 of the financial statements demonstrates Powerlink's financial position at the year end, both in terms of net assets and cash, is consistent with the prior year.

The Victoria Line Power Upgrade has progressed well during the year with 80.4% complete at the year end, with the project running on budget and three months ahead of schedule. Powerlink's Lost Time Incident frequency rate increased from 0.21 to 0.60 per 100,000 hours during 2008.

Results and dividends

The profit for the year, before taxation, amounted to £5,517,000 (2007: £3,770,000) and after taxation, to £3,934,000 (2007: £2,610,000). The Directors do not recommend payment of a dividend (2007: £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)
Alan T Feakins (Alternate director)	(appointed 19 March 2008, resigned 5 June 2009)
Laurent Ferrari	(appointed 21 July 2008, resigned 10 June 2009)
Lynn Gladwell (Alternate director)	(appointed 7 January 2008)
Trevor J Gregory	
Richard R M Harpley	(appointed 5 June 2009)
Robert E Lane	
David P Mitchell	(appointed 10 June 2009)
Paul D Northwood (Alternate director)	(resigned 30 April 2009)
Ian K Rylatt (Alternate director)	(resigned on 7 January 2008)
Stephen Trotter (Alternate director)	(appointed 5 June 2009)
Brian Walker	

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.

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.

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 subsidiary of the EDF Energy Group of companies and its principal customer is LUL 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.

Creditors payment policy

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

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

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2008, the Company had an average of 14 days (2007: 12 days) purchases outstanding in its trade creditors.

DIRECTORS' REPORT continued

Employees

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

Employee involvement

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

Equal opportunities

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

Political and charitable contributions

During the year, the Company made various charitable contributions totalling £100 (2007: £100) 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 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.

On behalf of the Board

N. Zentner

Nicholas R Zentner
Company Secretary
24 June 2009

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 2008 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 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London EC4Y 8BB
24 June 2009

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £000	2007 £000
Turnover	2	**95,882**	104,627
Cost of sales		**(89,293)**	(99,617)
Gross profit		**6,589**	5,010
Administrative expenses		**(3,970)**	(3,918)
Profit on ordinary activities before interest and taxation	3	**2,619**	1,092
Interest receivable and similar income	7	**2,915**	2,678
Interest payable and similar charges	8	**(17)**	-
Profit on ordinary activities before taxation		**5,517**	3,770
Tax on profit on ordinary activities	9	**(1,583)**	(1,160)
Profit for the financial year	15	**3,934**	2,610

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 2008

	Note	2008 £000	2007 £000
Profit for the financial year		**3,934**	2,610
Actuarial (loss)/gain net of deferred tax on defined benefit pensions	17	**(78)**	642
Deferred tax rate change		**-**	(1)
Total recognised gain relating to the year		**3,856**	3,251

The deferred tax reflected in the actuarial gain net of deferred tax on defined benefit pensions amounted to a credit of £31,000 (2007: charge £250,000). The £1,000 deferred tax rate change in the prior year reflects the reduction in the main stream corporation tax rate from 30% to 28% from 1 April 2008.

BALANCE SHEET
AT 31 DECEMBER 2008

	Note	2008 £000	2007 £000
Fixed assets			
Tangible assets	10	**410**	680
Current assets			
Stocks	11	**2,628**	2,527
Pension reimbursement right asset		**5,180**	-
Other debtors	12	**27,587**	30,391
Cash		**58,529**	55,098
Total current assets		**93,924**	88,016
Creditors: amounts falling due within one year	13	**(70,368)**	(73,750)
Net current assets		**23,556**	14,266
Total assets less current liabilities		**23,966**	14,946
Net assets excluding pension liabilities		**23,966**	14,946
Pension liability	17	**(5,183)**	(67)
Net assets including pension liabilities		**18,783**	14,879
Capital and reserves			
Called up share capital	14	**1,000**	1,000
Profit and loss account	15	**17,783**	13,879
Shareholder's funds	15	**18,783**	14,879

The accounts on pages 7 to 27 were approved by the Board of Directors on 24 June 2009 and were signed on its behalf by:

Robert E Lane
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £000	2007 £000
Net cash inflow from operating activities	*19a*	**5,179**	10,612
Returns on investments and servicing of finance			
Interest received		**2,873**	2,605
Interest paid		**-**	-
		2,873	2,605
Taxation			
Corporation tax		**(1,221)**	(490)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**-**	(190)
Financing			
(Repayment)/Receipt of loan		**(3,400)**	900
Net increase in cash		**3,431**	13,437

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	2008 £000	2007 £000
Increase in cash	**3,431**	13,437
Net cash at 1 January	**55,098**	41,661
Net cash at 31 December	**58,529**	55,098

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 explained below in respect of share based payments, 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 Powerlink and LUL for the operation, maintenance and upgrade of LUL'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 amount 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;
- provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued 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.

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 using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. 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. The Company has a reimbursement right asset through a contractual obligation on the part of LUL, as detailed in note 17.

NOTES TO THE FINANCIAL STATEMENTS continued

1. Accounting policies continued

Pensions continued

Changes in the fair value of the employee benefit reimbursement right asset are recognised immediately in the statement of total recognised gains to the extent that they relate to actuarial gains and losses in the defined benefit scheme to which the reimbursement right asset relates. This is a departure from the requirements of FRS 3 *Reporting Financial Performance*, which requires that gains and losses may be excluded from the profit and loss account only if they are specifically permitted or required to be taken directly to reserves by that or other accounting standards or, in the absence of a relevant accounting standard, by law. The departure is considered necessary to give a true and fair view as movements in the fair value of the employee benefit reimbursement right asset are closely associated with the actuarial gains and losses in the defined benefit scheme to which the reimbursement right asset relates and as noted above, such gains and losses on the scheme are recognised in the statement of total recognised gains and losses. The effect on the financial statements of this departure is to increase reported profit for the year by £5,550,000 (2007: decrease £10,160,000) with an equal and opposite impact on the statement of total recognised gains and losses. It has no effect on the net assets of the Company in either the current or the prior year.

Share based payments

The Company's ultimate parent company, Electricité de France S.A ("EDFSA") is listed on Euronext, the French stock exchange. Any share-based payments to employees which are not issued to employees but transferred (i.e. no additional share capital) and equity settled are valued at base value on date of announcement. Any contribution to the scheme is charged to the income statement in the period in which it arises, at the fair value determined, and apportioned in a straight line basis over the vesting period. A corresponding amount is recognised as a capital contribution from EDFSA within equity. Any repayment required to EDFSA is measured at the market value of the period end and recognised as a liability and reduced capital contribution.

2. Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activities of maintenance, operation and renewal of electrical distribution and power generation equipment in respect of the PSC with LUL.

3. Profit on ordinary activities before interest and taxation

This is stated after charging	**2008**	2007
	£000	£000
Depreciation of owned fixed assets	**270**	284
Operating lease rentals - plant and machinery	**21,931**	21,980

Amounts payable to KPMG Audit plc and their associates by the Company in respect of audit services amounted to £56,940 (2007: £52,700). No amounts were payable for non audit services (2007: £nil).

NOTES TO THE FINANCIAL STATEMENTS continued

4. Directors' emoluments

	2008 £000	2007 £000
Emoluments	**156**	126

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

Only one Director's emoluments are paid by the Company (2007: One Director). No other Directors received emoluments from the Company as their emoluments are paid directly by the shareholders.

5. Staff costs

	2008 £000	2007 £000
Wages and salaries	**10,583**	11,016
Social security costs	**1,102**	1,108
Other pension costs	**1,703**	1,883
Share based payments (note 6)	**203**	65
Recharged from other group companies	**199**	621
	13,790	14,693

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

	2008 Number	2007 Number
Industrial	**192**	230
Administration	**46**	29
	238	259

There are several EDF Energy plc employees seconded to Powerlink on a part-time basis whose salary costs are borne by EDF Energy plc and recharged to Powerlink via an inter-business arrangement. These employees are included in the above disclosure.

NOTES TO THE FINANCIAL STATEMENTS continued

6. Share based payments

ERO 2008

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

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

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

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

2,543 shares were purchased by employees of the Company.

The additional contribution made by the Company to the benefit of employees in connection with this share offering amounted to £59,401.

ACT 2007 - 2008

On 30 August 2007 the ultimate parent company, EDFSA 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 plc or one of its subsidiaries, a free distribution of EDF Energy plc 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 will receive an additional number of shares proportional to their salary, calculated on the basis of their annualised salary as at June 2007 (excluding any other variable compensation items such as bonuses or profit sharing). The number of shares any one beneficiary can receive is capped at 50 shares.

NOTES TO THE FINANCIAL STATEMENTS continued

6. Share based payments continued

ACT 2007 continued

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

a) Performance Criteria: This is based on the EDF Group meeting their EBITDA target over the period 2007-2008. The decision as to whether the Performance Criteria has been met will be assessed on the date of the release of the annual consolidated results of EDF Group for the financial year 2008; and

b) Presence Criteria: Each beneficiary must be continuously bound by an employment contract with EDF Energy plc or one of its subsidiaries throughout the vesting period.

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

ACT 2007 - 2008 Impact

	2008	2007
	£000	£000
At 1 January	**(14)**	-
Granted during the period	**144**	65
Future liability	**(96)**	(79)
At 31 December	**34**	(14)

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

7. Interest receivable and similar income

	2008	2007
	£000	£000
Interest receivable	**2,915**	2,670
Net return on pension scheme	**-**	8
	2,915	2,678

8. Interest payable and similar charges

	2008	2007
	£000	£000
Net interest cost on pension scheme	**17**	-
	17	-

NOTES TO THE FINANCIAL STATEMENTS continued

9. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

UK current tax

	2008 £000	2007 £000
Corporation tax payable	**1,587**	1,201
Adjustment in respect of previous years	**19**	1
Total current tax charge (note 9(b))	**1,606**	1,202

UK deferred tax

	2008 £000	2007 £000
Origination and reversal of timing differences	**(1)**	(66)
Adjustment in respect of prior years	**(22)**	24
Total deferred tax credit	**(23)**	(42)
Tax charge on profit on ordinary activities	**1,583**	1,160

(b) Factors affecting tax charge for the year:

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

	2008 £000	2007 £000
Profit on ordinary activities before taxation	**5,517**	3,770
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	**1,572**	1,131
Effect of:		
Capital allowances in excess of/(lower) than depreciation	**8**	(29)
(Decrease)/Increase in pension liability	**(56)**	99
Other deferred tax items	**63**	-
Adjustment in respect of previous years	**19**	1
Current tax charge for the year	**1,606**	1,202

NOTES TO THE FINANCIAL STATEMENTS continued

10. Tangible fixed assets

	Motor vehicles £000	Equipment and fittings £000	**Total £000**
Cost			
At 1 January 2008	29	5,190	**5,219**
At 1 January 2008	**29**	**5,190**	**5,219**
Depreciation			
At 1 January 2008	27	4,512	**4,539**
Charge for the year	2	268	**270**
At 31 December 2008	**29**	**4,780**	**4,809**
Net book value			
At 31 December 2008	**-**	**410**	**410**
At 31 December 2007	2	678	680

11. Stocks

	2008 £000	2007 £000
Raw materials and consumables	**2,628**	2,527
	2,628	2,527

12. Other debtors

	2008 £000	2007 £000
Trade debtors	**123**	9,880
Amounts owed by other group companies	**187**	345
Amounts owed by other related companies	**955**	1,261
Other debtors	**331**	391
Deferred taxation recoverable	**209**	128
Prepayments and accrued income	**25,782**	18,386
	27,587	30,391

NOTES TO THE FINANCIAL STATEMENTS continued

12. Debtors continued

The deferred taxation provided in the financial statements comprises of the following:

	2008 £000	2007 £000
Depreciation in excess of capital allowances	**136**	128
Other timing differences	**71**	-
	207	128

The movements in deferred taxation are as follows:

	At 1 January 2008 £000	Profit and loss account £000	Statement of total recognised gains and losses £000	**At 31 December 2008** **£000**
Provision for deferred tax	128	79	-	**207**
Deferred tax shown against pension liability	26	(56)	31	**1**
Net deferred tax	**154**	**23**	**31**	**208**

13. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	**754**	764
Amounts owed to other group companies	**6,456**	5,268
Amounts owed to related companies	**2,619**	2,496
Corporation tax payable	**1,588**	1,209
Accruals and deferred income	**58,325**	59,922
Shareholder loan	**-**	3,400
Other creditors, including taxation and social security	**626**	691
	70,368	73,750

NOTES TO THE FINANCIAL STATEMENTS continued

14. Share capital

Authorised

	2008 Number	2007 Number	**2008 £000**	2007 £000
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10,000**	10,000

Allotted, called up and fully paid

	2008 Number	2007 Number	**2008 £000**	2007 £000
Ordinary shares of £1 each	**1,000,000**	1,000,000	**1,000**	1,000

On 11 August 1998 Powerlink 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. This was accompanied by a contractual agreement to settle the outstanding amounts upon written notice in the event of further funding requirements.

15. Reconciliation of shareholder's funds

	Share Capital £000	Profit and loss account £000	**Total share-holder's funds £000**
At 1 January 2007	1,000	10,642	**11,642**
Profit for the year	-	2,610	**2,610**
Share based payments (note 6)	-	(14)	**(14)**
Prior period tax adjustment for deferred tax	-	(1)	**(1)**
Actuarial gain net of deferred tax on defined pensions benefits	-	642	**642**
At 31 December 2007	1,000	13,879	**14,879**
Profit for the year	-	3,934	**3,934**
Share based payments (note 6)	-	48	**48**
Actuarial loss net of deferred tax on defined pensions benefits	-	(78)	**(78)**
At 31 December 2008	**1,000**	**17,783**	**18,783**

16. Capital commitments

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

NOTES TO THE FINANCIAL STATEMENTS continued

17. Pension commitments

Powerlink participates in three pension schemes as set out below. Two of the schemes 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 TfL and its operating businesses which include LUL. Powerlink contributes to the TfL scheme for those employees who were transferred to Powerlink under a Transfer of Undertakings (Protection of Employment) ("TUPE") arrangement. The TfL pension scheme is a multi-employer scheme in which the assets and liabilities relative to each participating employer are separately identified. Accordingly, the following disclosures relate only to the section of the scheme attributable to Powerlink.

The Company has an employee benefits reimbursement right asset connected to the TfL pension scheme. This arises through the contractual obligation that LUL has with the Company to reimburse any lump sum payments that are required of the Company by the scheme to fund a scheme deficit, or contribution that exceed an agreed annual contribution calculated as a percentage of the salaries of the 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 salaries of applicable employees. From April 2007 the agreed annual contribution percentage increased to 26%. This reimbursement right asset is recognised in debtors. There was no reimbursement right asset in the prior year because the TfL pension scheme was in surplus.

The latest full actuarial valuations of the EDF Energy Group section of the ESPS and EEPS 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 2007 and 31 December 2008.

The TfL pension scheme is closed to new entrants, therefore the service cost under the projected unit method is expected to increase as the members of the scheme approach retirement.

NOTES TO THE FINANCIAL STATEMENTS continued

17. Pension commitments continued

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

	ESPS and EEPS		TfL	
	2008	2007	**2008**	2007
	%	%	**%**	%
Discount rate	**6.5**	6.0	**6.7**	5.9
Inflation assumption	**2.6**	3.3	**1.5**	3.1
Rate of increase in salaries			**3.0**	4.6
- ESPS	**4.6**	5.3		
- EEPS	**4.1**	4.8		
Rate of increase of pensions increases				
- full retail price indexation ("RPI")	**2.6**	3.3	**1.5**	3.1
- RPI up to 5%(EEPS - service to 31 March 2006)	**2.6**	3.3		
- RPI up to 2.5%(EEPS - service from 31 March 2006)	**2.0**	2.3		

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

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

The above 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 Powerlink's 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 IST's were calculated. In some circumstances this led to increased IST's (for example early leavers) but substantially reduced IST's in other cases (for example on retirement). This change took effect for IST's paid from August 2007. The overall effect on the Powerlink section is the expected level of IST's will decrease, whilst the resulting decrease in scheme liabilities was accounted for as a change in actuarial assumptions in the STRGL.

NOTES TO THE FINANCIAL STATEMENTS continued

17. 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 2008 £000	ESPS 2008 £000	EEPS 2008 £000	Total 2008 £000	Total 2007 £000
Fair value of scheme assets	24,420	1,452	2,785	28,657	39,553
Present value of defined benefit obligations	(29,600)	(1,639)	(2,602)	(33,841)	(39,646)
(Deficit)/surplus in scheme	(5,180)	(187)	183	(5,184)	(93)
Related deferred tax asset/(liability)	-	52	(51)	1	26
(Liability)/asset recognised in the balance sheet	(5,180)	(135)	132	(5,183)	(67)

This amount is presented in pension liabilities. The TfL amount is recoverable from LUL and is shown in note 12.

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

	TfL 2008 £000	ESPS 2008 £000	EEPS 2008 £000	Total 2008 £000	Total 2007 £000
Current service cost	(1,270)	(14)	(262)	(1,546)	2,433
Interest cost	(1,940)	(114)	(167)	(2,221)	(2,445)
Expected return on scheme assets	2,290	113	151	2,554	2,252
Total operating cost	(920)	(15)	(278)	(1,213)	2,240

Of the charge for the year £276,000 (2007: £673,000) has been included in staff costs and an expense of £17,000 (2007: income of £8,000) has been included in interest. The current service cost on the TfL scheme of £1,270,000 (2007:£1,760,000) is exactly offset by a reversal of this cost against the reimbursement asset in the year. The net interest return on the TfL scheme of £350,000 (2007: net financing charge of £200,000) is again exactly offset by a net financing charge (2007: net return) against the reimbursement asset. The estimated amount of contributions expected to be paid to the schemes during 2009 is £397,000 for ESPS and EEPS and £1,310,000 for the TfL scheme.

NOTES TO THE FINANCIAL STATEMENTS continued

17. Pension commitments continued

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

	TfL	ESPS	EEPS	Total	Total
	2008	2008	2008	2008	2007
	£000	£000	£000	£000	£000
At 1 January	(34,310)	(1,921)	(3,415)	(39,646)	(48,151)
Current service cost	(1,270)	(14)	(262)	(1,546)	(2,433)
Interest cost	(1,940)	(114)	(167)	(2,221)	(2,445)
Actuarial gain	3,930	327	1,433	5,690	10,548
Benefits paid/(received)	3,990	83	(191)	3,882	2,835
At 31 December	(29,600)	(1,639)	(2,602)	(33,841)	(39,646)

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

	TfL	ESPS	EEPS	Total	Total
	2008	2008	2008	2008	2007
	£000	£000	£000	£000	£000
At 1 January	34,920	1,778	2,855	39,553	30,678
Expected return on scheme assets	2,290	113	151	2,554	2,252
Actuarial (loss)/gain	(10,090)	(393)	(866)	(11,349)	504
Contributions by employer	1,290	14	244	1,548	8,920
Deficit payments	-	23	210	233	34
Benefits (paid)/received	(3,990)	(83)	191	(3,882)	(2,835)
At 31 December	24,420	1,452	2,785	28,657	39,553

Movements in the TfL reimbursement right asset in the current period were as follows:

	2008	2007
	£000	£000
At 1 January	-	16,820
Other finance charge	(350)	200
Contributions	(1,290)	(8,620)
Current service cost	1,270	1,760
Actuarial gain/(loss)	5,550	(10,160)
At 31 December	5,180	-

The actuarial gain stated in the above table is only recognising the amount that is required to bring the reimbursement right asset to £5,180,000 to exactly offset the deficit in the TfL scheme.

NOTES TO THE FINANCIAL STATEMENTS continued

17. Pension commitments continued

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

	Expected Return				Fair value of assets				
	2008	2007	**2008**	2007	**2008**	**2008**	**2008**	**2008**	2007
			ESPS/	ESPS/					
	TfL	TfL	**EEPS**	EEPS	**TfL**	**ESPS**	**EEPS**	**Total**	Total
	%	%	**%**	%	**£000**	**£000**	**£000**	**£000**	£000
Gilts - fixed	-	-	**3.9**	4.6	-	**403**	-	**403**	435
Gilts - index linked	-	-	**3.8**	4.5	-	**191**	-	**191**	232
Equities	**6.6**	8.3	**7.5**	8.2	**14,910**	**683**	**1,231**	**16,824**	21,758
Property	-	-	**6.5**	7.2	-	**32**	**101**	**133**	42
Corporate bonds	**4.6**	5.0	**5.6**	5.4	**8,900**	**182**	**973**	**10,055**	13,871
Cash	**2.3**	4.4	**3.2**	5.4	**610**	**(39)**	**480**	**1,051**	3,215
					24,420	**1,452**	**2,785**	**28,657**	39,553

The actual return on scheme assets is a loss of £8,794,000 (2007: gain £2,756,000).

History of experience gains and losses are as follows:

	Total 2008 £000	Total 2007 £000	Total 2006 £000	Total 2005 £000	Total 2004 £000
Fair value of scheme assets	**28,657**	39,553	30,678	25,634	21,196
Present value of defined benefit obligations	**(33,841)**	(39,646)	(48,151)	(44,728)	(35,374)
Deficit in the scheme	**(5,184)**	(93)	(17,473)	(19,094)	(14,178)
Experience adjustments on scheme liabilities:					
Amount (£000)	**(441)**	(987)	(2,184)	(725)	(755)
Percentage of scheme liabilities (%)	**1.3**	2.5	4.5	1.6	2.1
Actual return less expected return on pension scheme assets:					
Amount (£000)	**(11,348)**	504	1,001	2,112	304
Percentage of scheme assets (%)	**39.6**	1.3	3.3	8.2	1.4

NOTES TO THE FINANCIAL STATEMENTS continued

17. Pension commitments continued

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

	TfL 2008 £000	ESPS 2008 £000	EEPS 2008 £000	Total 2008 £000	Total 2007 £000
At 1 January	439	(49)	200	590	(51)
Actuarial (loss)/gain	(610)	(66)	567	(109)	892
Deferred taxation	171	19	(159)	31	(250)
Deferred tax rate change	-	-	-	-	(1)
At 31 December	-	(96)	608	512	590

18. Other financial commitments

At 31 December 2008 the Company had annual commitments under non-cancellable operating leases as set out below:

	2008 £000	2007 £000
Operating leases which expire:		
within one year	-	3
In two to five years	-	4
In over five years	20,702	22,828
	20,702	22,835

19. Notes to the cash flow statement

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

	2008 £000	2007 £000
Operating profit	2,619	1,092
Depreciation of tangible fixed assets	270	284
FRS 17 pension adjustment	(89)	224
(Increase)/decrease in stocks	(101)	622
Decrease/(increase) in debtors	2,893	(2,132)
(Decrease)/increase in creditors	(413)	10,522
Net cash inflow from operating activities	5,179	10,612

NOTES TO THE FINANCIAL STATEMENTS continued

19. Notes to the cash flow statement continued

(b) Analysis of net cash

	At 1 January	Cash flow	**At 31 December**
	2008	2008	**2008**
	£000	£000	**£000**
Cash at bank and in hand	55,098	3,431	**58,529**

Of the total cash balance of £58,529,000 (2007: £55,098,000) an amount of £40,010,000 (2007: £38,880,000) was held as a reserve balance in accordance with the banking covenants governing the project lending agreements which underpin the PSC with LUL. These arrangements encompass both Powerlink and PADCo, and provide that the secured borrowings of PADCo is secured on the assets and undertakings of Powerlink and PADCo. The reserve balance is required under the project lending agreements to be held separately and can only be used for specific pre-defined authorised purposes, such as to enable compliance with future loan repayment obligations and ongoing performance obligations.

20. Related parties

Powerlink is a subsidiary of EDF Energy plc. During the year the Company was charged £6,222,000 (2007: £4,676,000) for materials, property and administration costs, by EDF Energy plc. During the year the Company charged EDF Energy plc £nil (2007: £978,000) for occupancy charges. At the year-end, the Company owed EDF Energy plc £4,627,000 (2007: £4,923,000) for these services.

A contract has been entered into with PADCo a joint venture Company of EDF Energy plc, for the design, construction, commissioning, maintenance and renewal of assets forming part of LUL electricity distribution system. During the year, the Company was charged £21,931,000 (2007: £21,980,000) for the operating lease rental of network assets. This amount is stated after releasing £3,039,000 (2007: £3,048,000 release).

Under the terms of the contract with PADCo, the Company charged PADCo £2,301,000 (2007: £2,200,000) for maintaining the assets constructed by PADCo on its behalf. There was an administration fee charged during 2008 of £120,000 (2007: £60,000) for administrative costs incurred on PADCo's behalf.

At the year end the Company owed PADCo £1,663,000 (2007: £1,235,000) which comprises creditors totalling £2,618,000 (2007: £2,496,000) and debtors totalling £955,000 (2007: £1,261,000).

A contract has also been entered into with the Victoria Line Upgrade Consortium ("VLUC") 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 £40,196,000 (2007: £46,000,000). At the year end the Company owed VLUC £4,082,000 (2007: £6,232,000).

NOTES TO THE FINANCIAL STATEMENTS continued

21. 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. Copies of that Company's consolidated financial statements can be obtained from 40 Grosvenor Place, Victoria, London SW1X 7EN.

At 31 December 2008, Electricité de France SA ("EDFSA"), 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 financial statements can be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.