



**EDF ENERGY (SOUTH EAST) PLC**

**Registered Number 2366867**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2008**

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## **CONTENTS**

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**Page:**

<b>2</b>	<b>Directors' report</b>
<b>4</b>	<b>Statement of Directors' responsibilities</b>
<b>5</b>	<b>Independent Auditors' report</b>
<b>6</b>	<b>Profit and loss account and Statement of total recognised gains and losses</b>
<b>7</b>	<b>Balance sheet</b>
<b>8</b>	<b>Notes to the financial statements</b>

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### **Directors**

Humphrey A E Cadoux-Hudson (resigned 1 April 2009)  
Thomas Kusterer (appointed 1 April 2009)  
Robert Ian Higson

### **Company Secretary**

Robert Ian Higson

### **Auditors**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

### **Registered Office**

40 Grosvenor Place  
Victoria  
London  
SW1X 7EN

## DIRECTORS' REPORT

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

### Principal activity and review of the business

The Company's principal activity during the year continued to be the provision of management services, property services and the holding of investments. It will continue in this activity for the foreseeable future.

### Results and dividends

The profit for the year, before taxation, amounted to £2.9m (2007: £2.3m) and after taxation to £9.9m (2007: £7.3m). The Directors do not recommend payment of a dividend (2007: £nil).

EDF Energy plc, an intermediate holding company, manages the Company and other subsidiaries' operations on a group basis. For this reason and as a result of the nature of this company the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of EDF Energy plc and its subsidiaries ("the Group") which includes the Company is discussed in the Group's Annual Report which does not form part of this report.

### Directors

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

Humphrey A E Cadoux-Hudson	(resigned 1 April 2009)
Thomas Kusterer	(appointed 1 April 2009)
Robert Ian Higson	

None of the Directors has a contract with the Company. They are employed by the parent company, EDF Energy plc, and have contracts with that company.

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

None of the Directors who held office at the end of the financial year had an interest in the shares of the Company or any other Group company that require disclosure under the Companies Act 1985.

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

### Creditors payment policy

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

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

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2008, the Company had an average of 13 days (2007: 7 days) purchases outstanding in its trade creditors.

**DIRECTORS' REPORT continued**

**Financial risk management**

The Company considers its principal risk to arise from financial risk, being credit and liquidity risk.

The Company's exposure to these risks is reduced as it is a 100% subsidiary of the EDF Energy Group of companies. Credit risk is mitigated by the nature of the debtor balances owed, with these due from other Group companies who are able to repay these if required and liquidity risk is mitigated by the financial support given by EDF Energy plc, a fellow Group company.

The Company is not exposed to any significant currency or interest rate risk. The Group's risks are discussed within the Group's Annual report, which does not form part of this report.

**Going concern**

The financial statements have been prepared under the going concern concept because EDF Energy plc, the intermediate parent company, has agreed to continue to support the Company financially and not to recall amounts advanced to the Company until the claims of all creditors have been met.

**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 he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

**Auditors**

Deloitte LLP 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



Thomas Kusterer  
Director

23 July 2009

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

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

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY (SOUTH EAST) PLC

We have audited the financial statements of EDF Energy (South East) plc for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Deloitte LLP*

Deloitte LLP  
Chartered Accountants and Registered Auditors  
London

23 July 2009

**EDF ENERGY (SOUTH EAST) PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2008**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	<i>Note</i>	<b>2008 £m</b>	<b>2007 £m</b>
<b>Turnover</b>	<b>2</b>	<b>6.5</b>	<b>5.5</b>
<b>Administrative expenses</b>		<b>(3.7)</b>	<b>(4.8)</b>
<b>Operating profit</b>	<b>3</b>	<b>2.8</b>	<b>0.7</b>
<b>Profit on sale of fixed assets</b>		<b>0.1</b>	<b>1.5</b>
<b>Profit on ordinary activities before interest and taxation</b>		<b>2.9</b>	<b>2.2</b>
<b>Interest receivable and similar income</b>	<b>6</b>	<b>-</b>	<b>0.1</b>
<b>Profit on ordinary activities before taxation</b>		<b>2.9</b>	<b>2.3</b>
<b>Tax on profit on ordinary activities</b>	<b>7</b>	<b>7.0</b>	<b>5.0</b>
<b>Profit for the financial year</b>	<b>15</b>	<b>9.9</b>	<b>7.3</b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**


	<i>Note</i>	<b>2008 £m</b>	<b>2007 £m</b>
<b>Profit for the financial year</b>		<b>9.9</b>	<b>7.3</b>
<b>Actuarial loss net of deferred tax on defined pension benefits</b>	<b>16</b>	<b>(0.1)</b>	<b>-</b>
<b>Total recognised gains</b>		<b>9.8</b>	<b>7.3</b>

The deferred tax charge reflected in the actuarial loss is £nil (2007: £0.1m).

**BALANCE SHEET  
AT 31 DECEMBER 2008**

	<i>Note</i>	<b>2008 £m</b>	<b>2007 £m</b>
<b>Fixed assets</b>			
Tangible assets	8	19.4	19.9
Investments in subsidiary undertakings	9	919.9	919.4
Other investments	10	0.5	-
<b>Total fixed assets</b>		<b>939.8</b>	<b>939.3</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	79.5	68.8
Cash		209.6	215.0
<b>Total current assets</b>		<b>289.1</b>	<b>283.8</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(923.8)</b>	<b>(927.8)</b>
<b>Net current liabilities</b>		<b>(634.7)</b>	<b>(644.0)</b>
<b>Net assets excluding pension liability</b>		<b>305.1</b>	<b>295.3</b>
Pension liability	16	(0.3)	(0.3)
<b>Net assets</b>		<b>304.8</b>	<b>295.0</b>
<b>Capital and reserves</b>			
Called up share capital	14	125.9	125.9
Share premium account	15	7.8	7.8
Capital redemption reserve	15	6.8	6.8
Profit and loss account	15	164.3	154.5
<b>Shareholder's funds</b>	15	<b>304.8</b>	<b>295.0</b>

The financial statements on pages 6 to 20 were approved by the Board of Directors on 23 July 2009 and were signed on its behalf by:



Thomas Kusterer  
Director



## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Accounting policies**

The principal accounting policies are set out below. They have all been applied consistently throughout the year and the preceding year.

#### **Basis of preparation**

These financial statements have been prepared on a consistent basis under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

#### **Cash flow statement**

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of a group, headed by EDF Energy plc, whose consolidated accounts include a cash flow statement and are publicly available (note 19).

#### **Consolidation**

Consolidated financial statements have not been prepared, as the Company is exempt from the obligation to prepare consolidated financial statements under section 228(1) of the Companies Act 1985. Consolidated financial statements are prepared by the intermediate parent company EDF Energy plc, which include the results of the Company and its subsidiary undertakings and are publicly available (note 19).

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Land	–	Not depreciated
Buildings	–	40 years
Fixtures and fittings	–	3 to 10 years

#### **Investments**

Fixed asset investments are shown at cost less any provision for impairment.

## 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, this 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.

#### Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

Rental income from an operating lease is recognised on a straight-line basis over the period of these leases, even if the payments are not made on such a basis.

#### Pensions

Employees of the Company participate in a number of Group-wide funded defined benefit pension arrangements, and the Company accounts for these schemes in accordance with FRS 17.

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.

The defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond or equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

### 2. Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activity of providing management services, property services and financial guarantees. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and to the extent that it can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS continued**

**3. Operating profit**

	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>
This operating profit for the year is stated after charging:		
Depreciation of fixed assets - owned	<b>0.7</b>	<b>0.7</b>
Operating lease rentals - land and buildings	<b>2.1</b>	<b>1.8</b>

In 2008 an amount of £20,000 (2007: £20,000) was paid to Deloitte LLP for audit services. This charge was borne by another Group company in the current and prior year.

Rental income under operating leases for the years ended 31 December 2008 amounts to £4.7m (2007: £3.6m) which is included within turnover.

**4. Staff costs**

From 1 September 2005, employees of EDF Energy (South East) plc were transferred to another Group company. As a result, the monthly average number of employees in the Company during the year was nil (2007: nil). The Company receives a management charge for its share of resources employed by EDF Energy plc. The intercompany recharge in respect of wages and salaries, national insurance, severance costs and pensions totalled £nil for the year ended 31 December 2008 (2007: £0.1m).

**5. Directors' emoluments**

None of the Directors received any remuneration for services to the Company during the year or preceding year.

**6. Interest receivable and similar income**

	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>
Net return on pension scheme (note 16)	<b>-</b>	<b>0.1</b>

**NOTES TO THE FINANCIAL STATEMENTS continued**

**7. Tax on profit on ordinary activities**

**(a) Analysis of tax credit in the year**

**UK current tax**

	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>
UK corporation tax credit on profit for the year	<b>(7.0)</b>	<b>(7.0)</b>
Adjustment in respect of previous years	<b>(0.1)</b>	<b>1.7</b>
<b>Total current tax credit (note 7(b))</b>	<b>(7.1)</b>	<b>(5.3)</b>

**UK deferred tax**

	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>
Origination and reversal of timing differences	<b>0.1</b>	<b>0.2</b>
Adjustment in respect of previous years	<b>-</b>	<b>0.1</b>
<b>Total deferred tax credit (note 12)</b>	<b>0.1</b>	<b>0.3</b>
<b>Tax credit on profit on ordinary activities</b>	<b>(7.0)</b>	<b>(5.0)</b>

**(b) Factors affecting tax credit for the year:**

	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>
The tax assessed for the period is higher (2007: lower) than the standard rate of corporation tax in the UK.		
The differences are explained below:		
Profit on ordinary activities before tax	<b>2.9</b>	<b>2.3</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%):	<b>0.8</b>	<b>0.7</b>
Effect of:		
Permanent differences	<b>(7.7)</b>	<b>(7.5)</b>
Capital allowances in excess of depreciation	<b>(0.1)</b>	<b>(0.1)</b>
Movement in pension liability	<b>-</b>	<b>(0.1)</b>
Adjustment in respect of previous years	<b>(0.1)</b>	<b>1.7</b>
<b>Current tax credit for the period</b>	<b>(7.1)</b>	<b>(5.3)</b>

**NOTES TO THE FINANCIAL STATEMENTS continued**

**8. Tangible fixed assets**

	Land and buildings £m	Fixtures and fittings £m	Total £m
<b>Cost</b>			
At 1 January 2008	29.4	0.2	29.6
Additions	-	0.3	0.3
Disposals	-	(0.1)	(0.1)
<b>At 31 December 2008</b>	<b>29.4</b>	<b>0.4</b>	<b>29.8</b>
<b>Depreciation</b>			
At 1 January 2008	9.6	0.1	9.7
Charge for the year	0.7	-	0.7
<b>At 31 December 2008</b>	<b>10.3</b>	<b>0.1</b>	<b>10.4</b>
<b>Net book value</b>			
<b>At 31 December 2008</b>	<b>19.1</b>	<b>0.3</b>	<b>19.4</b>
At 31 December 2007	19.8	0.1	19.9

The net book value of land and buildings comprised:

	2008 £m	2007 £m
Freehold - land	2.7	2.7
- buildings	16.3	17.0
Short leasehold	0.1	0.1
	<b>19.1</b>	<b>19.8</b>

Land and buildings held for use in operating leases were:

	2008 £m	2007 £m
Cost	8.2	8.2
Accumulated depreciation	(3.0)	(2.8)
	<b>5.2</b>	<b>5.4</b>

**NOTES TO THE FINANCIAL STATEMENTS continued**

**9. Investments in subsidiary undertakings**

	<b>Total £m</b>
<b>Cost</b>	
At 1 January 2008	919.4
Additions	0.5
<b>At 31 December 2008</b>	<b>919.9</b>
<b>Net book value</b>	
<b>At 31 December 2008</b>	<b>919.9</b>
At 31 December 2007	919.4

During the year, shares amounted to £0.5m in Longfield Insurance Company Limited were transferred from another group company.

The principal undertakings at 31 December 2008, which are incorporated in Great Britain and are registered and operate in England and Wales (unless otherwise stated), are as follows:

	Percentage of ordinary shares held	Principal activity
EDF Energy Networks (SPN) plc	100%	Electricity distribution
EDF Energy Contracting Limited *	100%	Electrical contracting
EDF Energy Powerlink Limited *	80%	Asset management
EDF Energy (South Eastern Services) Limited *	100%	Property management
EDF Energy (Powerlink Holdings) Limited*	100%	Investment company
EDF Energy (Projects) Limited *	100%	Investment company
Longfield Insurance Company Limited * (Isle of Man)	100%	Insurance
EDF Energy (Development) plc	100%	Holding company
EDF Energy (Asset Management) Limited *	100%	Investment company
EDF Energy (Metro Holdings) Limited *	100%	Investment company
London ESCO Limited *	81%	Project management

The associates and joint ventures at 31 December 2008, which are incorporated in Great Britain and are registered and operate in England and Wales, are as follows:

	Percentage of ordinary shares held	Principal activity
Power Asset Development Company Limited*	50%	Asset management
Metronet SSL Limited*	20%	Maintaining and renewing underground network
Metronet BCV Limited*	20%	Maintaining and renewing underground network
Metronet Alliance Limited (formerly Trans4m Limited)*	25%	Engineering contractor
SABCO – (unincorporated)*	50%	Maintaining railway lines
SOLVe – (unincorporated)*	50%	Maintaining and renewing street lighting
MUJV Limited *	49.9%	Dormant

\*Investment held indirectly

**NOTES TO THE FINANCIAL STATEMENTS continued**

**10. Other investments**

	£m
<b>Cost:</b>	
At 1 January 2008	-
Additions	0.5
<b>At 31 December 2008</b>	<b>0.5</b>

During the year, the Company acquired 7.15% of the share capital of Marine Current Turbines Limited for a consideration of £0.5m.

**11. Debtors: amounts falling due within one year**

	2008 £m	2007 £m
Trade debtors	1.0	0.9
Other taxes and social security costs	-	0.1
Deferred tax asset (see note 12)	0.2	0.3
Corporation tax (Group relief receivable)	18.6	10.0
Amounts owed by other parent companies	44.8	37.1
Amounts owed by other Group companies	13.6	19.7
Prepayments and accrued income	1.3	1.0
Bad debt provision	-	(0.3)
	<b>79.5</b>	<b>68.8</b>

**12. Deferred tax**

The movements in the deferred tax asset (note 11) during the year were as follows:

	At 1 January 2008 £m	Utilised during the year £m	At 31 December 2008 £m
Deferred tax asset	0.3	(0.1)	0.2
Deferred taxation against pension liability	0.1	-	0.1
<b>Total deferred tax</b>	<b>0.4</b>	<b>(0.1)</b>	<b>0.3</b>

**NOTES TO THE FINANCIAL STATEMENTS continued**

**12. Deferred tax continued**

Deferred taxation recognised in the financial statements is as follows:

	2008 £m	2007 £m
Depreciation in excess of capital allowances	0.2	0.3
Net deferred taxation recoverable (above)	0.2	0.3
Deferred taxation against pension liability (above)	0.1	0.1
<b>Total deferred tax asset</b>	<b>0.3</b>	<b>0.4</b>

The Finance Act 2007 announced a reduction in the main stream corporation tax rate from 30% to 28% from 1 April 2008. £0.1m has been debited to the profit and loss account in 2007 to reflect these changes.

**13. Creditors: amounts falling due within one year**

	2008 £m	2007 £m
Trade creditors	0.1	0.1
Amounts owed to other parent companies	919.8	919.3
Amounts owed to other Group companies	-	3.8
Other creditors	3.9	4.6
	<b>923.8</b>	<b>927.8</b>

Amounts owed to other Group companies are non-interest bearing and repayable on demand.

**14. Share capital**

**Authorised**

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

**Allotted, called up and fully paid**

	2008 Number	2007 Number	2008 £m	2007 £m
Ordinary shares of £0.50 each	251,693,703	251,693,703	125.9	125.9



**NOTES TO THE FINANCIAL STATEMENTS continued**

**15. Reconciliation of shareholder's funds**

	Share capital	Share premium	Capital redemption reserve	Profit and loss account	Total
	£m	£m	£m	£m	£m
At 1 January 2007	125.9	7.8	6.8	147.2	287.7
Profit for the year	-	-	-	7.3	7.3
At 31 December 2007	125.9	7.8	6.8	154.5	295.0
Profit for the year	-	-	-	9.9	9.9
Actuarial loss net of deferred tax on defined benefit pension (note 16)	-	-	-	(0.1)	(0.1)
<b>At 31 December 2008</b>	<b>125.9</b>	<b>7.8</b>	<b>6.8</b>	<b>164.3</b>	<b>304.8</b>

**16. Pension commitments**

Former employees of the Company participated in a number of group-wide funded defined benefit pension arrangements, and the Company accounts for these schemes in accordance with FRS17.

The principal pension schemes of EDF Energy plc are the EDF Energy Pension Scheme (EEPS) and the EDF Energy Group of the Electricity Supply Pension Scheme (ESPS). Both of these schemes are defined benefit schemes. On 1 September 2006 the EDF Energy Group of the ESPS was created by the merger of the Company's two ESPS Groups, the London Electricity Group of the ESPS and the SEEBOARD Group of the ESPS. The London Electricity group and SEEBOARD group of the ESPS closed to new employees in April 1994 and July 1995 respectively. New employees were offered membership of the following schemes; the SEEBOARD Final Salary Pension Plan, the London Electricity 1994 Retirement Plan (LERP), the 24seven Group Personal Pension Plan (24seven GPP), and the SEEBOARD Pension Investment Plan. The first of these schemes was a defined benefit scheme whilst all the others are defined contribution schemes.

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

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

**NOTES TO THE FINANCIAL STATEMENTS continued**

**16. Pension commitments continued**

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

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

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

	<b>31 December 2008 years</b>	<b>31 December 2007 years</b>
Life expectancy for current future male pensioner aged 60	<b>27.0</b>	<b>26.9</b>
Life expectancy for current future female pensioner aged 60	<b>30.4</b>	<b>30.3</b>
Life expectancy for current future male pensioner aged 40	<b>29.9</b>	<b>29.8</b>
Life expectancy for current future female pensioner aged 40	<b>31.7</b>	<b>31.6</b>

These assumptions are governed by FRS 17 and do not reflect the assumptions used by the independent actuary in the triennial valuation as at 31 March 2007, which determined the Company's contribution rate for future years.

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

	<b>ESPS 2008 £m</b>	<b>EEPS 2008 £m</b>	<b>Total 2008 £m</b>	<b>Total 2007 £m</b>
Fair value of scheme assets	<b>4.4</b>	<b>0.1</b>	<b>4.5</b>	<b>5.4</b>
Present value of defined benefit obligations	<b>(4.8)</b>	<b>(0.1)</b>	<b>(4.9)</b>	<b>(5.8)</b>
Deficit in scheme	<b>(0.4)</b>	<b>-</b>	<b>(0.4)</b>	<b>(0.4)</b>
Related deferred tax asset	<b>0.1</b>	<b>-</b>	<b>0.1</b>	<b>0.1</b>
Liability recognised in the balance sheet	<b>(0.3)</b>	<b>-</b>	<b>(0.3)</b>	<b>(0.3)</b>

This amount is presented in pension liabilities.

**NOTES TO THE FINANCIAL STATEMENTS continued**

**16. Pension commitments continued**

Amounts recognised in expenses in respect of these defined benefit schemes are as follows:

	<b>ESPS 2008 £m</b>	<b>EEPS 2008 £m</b>	<b>Total 2008 £m</b>	<b>Total 2007 £m</b>
Interest cost	(0.3)	-	(0.3)	(0.2)
Expected return on scheme assets	0.3	-	0.3	0.3
	-	-	-	0.1

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £0.1m.

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

	<b>ESPS 2008 £m</b>	<b>EEPS 2008 £m</b>	<b>Total 2008 £m</b>	<b>Total 2007 £m</b>
At 1 January	(5.7)	(0.1)	(5.8)	(5.7)
Interest cost	(0.3)	-	(0.3)	(0.2)
Actuarial gain	1.0	-	1.0	-
Benefits paid	0.2	-	0.2	0.1
At 31 December	(4.8)	(0.1)	(4.9)	(5.8)

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

	<b>ESPS 2008 £m</b>	<b>EEPS 2008 £m</b>	<b>Total 2008 £m</b>	<b>Total 2007 £m</b>
At 1 January	5.3	0.1	5.4	5.2
Expected return on scheme assets	0.3	-	0.3	0.3
Actuarial loss	(1.1)	-	(1.1)	-
Deficit payment	0.1	-	0.1	0.1
Benefits paid	(0.2)	-	(0.2)	(0.2)
At 31 December	4.4	0.1	4.5	5.4

**NOTES TO THE FINANCIAL STATEMENTS continued**

**16. Pension commitments continued**

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

	<b>Expected return</b>		<b>Fair value of assets</b>			
	<b>ESPS</b>	<b>ESPS</b>	<b>ESPS</b>	<b>EEPS</b>	<b>Total</b>	<b>Total</b>
	<b>EEPS</b>	<b>EEPS</b>				
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>
	<b>%</b>	<b>%</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Gilts - fixed	3.9	4.6	1.2	-	1.2	1.3
- index linked	3.8	4.5	0.6	-	0.6	0.7
Equities	7.5	8.2	2.0	-	2.0	2.4
Property	6.5	7.2	0.1	-	0.1	0.1
Corporate bonds	5.6	5.4	0.6	0.1	0.7	0.6
Cash	3.2	5.4	(0.1)	-	(0.1)	0.3
			<b>4.4</b>	<b>0.1</b>	<b>4.5</b>	<b>5.4</b>

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

The actual return on scheme assets in the year was a loss of £0.9m (2007: gain £0.3m).

History of experience gains and losses are as follows:

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Fair value of scheme assets	4.4	5.4	5.1	4.9	4.1
Present value of defined benefit obligations	(4.8)	(5.8)	(5.7)	(5.7)	(5.0)
Deficit in the scheme	(0.4)	(0.4)	(0.6)	(0.8)	(0.9)
Experience adjustments on scheme liabilities:					
Amount (£m)	-	(0.3)	-	-	(0.1)
Percentage of scheme liabilities	-	5.2%	-	-	2.0%
Experience adjustments on scheme assets:					
Amount (£m)	1.2	-	-	0.5	0.1
Percentage of scheme assets	27.3%	-	-	10.2%	2.4%

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

	<b>ESPS</b>	<b>EEPS</b>	<b>Total</b>	<b>Total</b>
	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 January	-	-	-	-
Actuarial loss	0.1	-	0.1	-
At 31 December	0.1	-	0.1	-

**NOTES TO THE FINANCIAL STATEMENTS continued**

**17. Other financial commitments and contingent liabilities**

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

	<b>Land and buildings 2008 £m</b>	<b>Land and buildings 2007 £m</b>
Operating leases which expire:		
Within one year	<b>0.1</b>	0.1
In two to five years	<b>0.5</b>	0.5
In over five years	<b>1.5</b>	1.5
	<b>2.1</b>	2.1

**18. Related parties**

In accordance with FRS 8 'Related parties disclosures', the Company is exempt from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties, as it is a wholly-owned subsidiary of a parent which prepare consolidated financial statements which are publicly available (see note 19).

**19. Parent undertaking and controlling party**

CSW Investments holds a 100% interest in EDF Energy (South East) plc and is considered to be the immediate parent company. EDF Energy plc heads the smallest group for which consolidated financial statements are prepared and include the results of the Company. Copies of that company's consolidated financial statements may be obtained from 40 Grosvenor Place, Victoria, London, SW1X 7EN.

At 31 December 2008, Electricité de France S.A, 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 S.A, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.