UK POWER NETWORKS (IDNO) LIMITED
(FORMERLY EDF ENERGY (IDNO) LIMITED)
(DISTRIBUTION BUSINESS)

Regulatory Accounts

for the year ended 31 March 2011
UK POWER NETWORKS (IDNO) LIMITED
(FORMERLY EDF ENERGY (IDNO) LIMITED)
31 MARCH 2011

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Directors

Andrew John Hunter
Neil Douglas McGee
Basil Scarsella

Company Secretary

Christopher Baker

Auditor

Deloitte LLP
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London
EC4A 3BZ

Registered Office

Newington House
237 Southwark Bridge Road
London
SE1 6NP
OPERATING AND FINANCIAL REVIEW

This Operating and Financial Review sets out the main trends and factors underlying the development and performance of UK Power Networks (IDNO) Limited (formerly EDF Energy (IDNO) Limited) ("the Company") during the year ended 31 March 2011, as well as those matters which are likely to affect its future development and performance.

The Directors, in preparing the Operating and Financial Review, have sought to comply with the Accounting Standard Board’s 2006 Reporting statement ‘Operating and Financial Review’, so far as it is applicable to the circumstances of the Company.

The business, its objectives and strategy

The Company is an Independent Distribution Network Operator contracted to build and operate the electricity distribution network for the London 2012 Olympics site.

The Company employs no staff (2010: nil). The operation of the London 2012 Olympics site is undertaken on the Company’s behalf by UK Power Networks (Operations) Limited which manages the distribution networks of the UK Power Networks group.

The UK Power Networks Business incorporates three electricity distribution businesses, Eastern Power Networks plc (formerly EDF Energy Networks (EPN) plc), South Eastern Power Networks plc (formerly EDF Energy Networks (SPN) plc), London Power Networks plc (formerly EDF Energy Networks (LPN) plc), a management business, UK Power Networks (Operations) Limited (formerly EDF Energy Networks Limited), and a transport provider business, UK Power Networks (Transport) Limited (formerly EDF Energy (Transport Services) Limited), as well as managing via subsidiary and joint venture companies a number of private networks and infrastructures including this Company.

The Company is regulated by the Office of Gas and Electricity Markets (‘Ofgem’).

The Company’s overall focus is on operational efficiency, the efficient delivery of the capital expenditure programme, improving network performance and customer satisfaction and moving towards the objective of creating a zero harm environment.

The Company’s overall financial objective is to focus on operational efficiency and the efficient delivery of capital and therefore financial objectives are set to ensure that regulatory targets are achieved or outperformed.

The Company’s financing objective is to ensure an efficient capital structure that mitigates interest rate risk.

Stakeholders

The Company has a range of external stakeholders including electricity customers, suppliers and contractors, the industry regulator Ofgem, local governments and communities. The Company adopts an open constructive approach in terms of the way it operates, the services it provides and the impact that its activities have on each of its stakeholders.

Risks

As well as the opportunities the Company has to grow and develop its business, certain risks and uncertainties are faced in achieving its objectives. The Company’s principal risks and uncertainties are set out below.

Health and Safety

There is a risk that a fatality or serious injury occurs involving a member of staff, a contractor, a member of the public, or a third party. Any such incident could lead to potential prosecution and a fine and have an adverse affect on the reputation of the Company.
OPERATING AND FINANCIAL REVIEW continued

Risks continued

Regulation
The electricity industry is subject to extensive regulatory obligations which the regulated business must comply with. Non-compliances can result in financial penalties and have a negative reputational impact. Changes to the regulatory framework could have significant impacts on the operation of the business.

Network Assets
There are significant risks associated with network assets where failure could result in a loss of supply of electricity to customers. Customer service and continuity and quality of supply are core regulatory requirements and poor performance in these areas can result in financial penalties. Any such incident causes adverse publicity and impacts negatively on the reputation of the Company.

Supply chain
Any interruption to the supply of critical materials or services could have a significant impact on the Company’s ability to develop and reinforce the network. In addition, volatility in commodity prices can have a significant impact on costs.

There are a variety of mechanisms in place to minimise these risks.

The Group has an embedded risk awareness culture to understand and manage significant business risks in order to increase certainty of achieving strategic goals. This leads to a high level of risk management assurance for the Distribution Business Executive Team and the Board of Directors.

The business operates a risk and control self-assessment regime facilitated by a Corporate Governance Committee. The Corporate Governance Committee aids in monitoring, anticipating and responding to business risks by checking, challenging and monitoring the progress of the business in managing their risks.

External and regulatory environment
The UK Power Networks Business operates within a framework governed by legislation and regulation. This includes:

- the regulatory licence conditions adopted by each licensed entity; and
- the price control allowance agreed with the regulator applicable every five years.

The Business is subject to environmental legislation and company law that is not specific to the electricity industry. It is also subject to health and safety regulations which are enforced by the Health and Safety Executive (HSE) in the UK. The programs and procedures adopted by the Business are detailed below.

Health, Safety and Environment
Programmes under the Health, Safety and Environment activities of the Business give rise to projects and initiatives designed to improve health and safety or reduce environmental impacts. Some of the more important programmes are:

- reducing pollution through replacement of oil-filled cables, provision of oil bunds at large substations and the reduction in use of herbicides;
- the behavioural safety programme – developing further the Company’s initiative to make safety a value;
- a harmonised approach to the management of Health Safety and the Environment across all Networks;
- public safety and education in electricity – schemes to educate school children, business and the public on dangers of a live network;
- a risk assessment review – carrying out a review of the risks faced in all our activities;
- an occupational health programme - fit for work and health surveillance
- a risk based audit programme, supporting the move towards a certified combined SHEQ management system; and
- a commitment to amenity under-grounding.
OPERATING AND FINANCIAL REVIEW continued

Health, Safety and Environment continued

The health and safety of employees of UK Power Networks (Operations) Limited, customers and the public at large is the first consideration in each and every investment decision taken. Also vital is consideration for the environment which includes the protection of the climate, natural resources, natural habitats, wildlife and the amenity value of living and working environments.

Network development and operation

The electrical network for the Olympic site is currently under development. Once completed, it will be managed by condition monitoring and risk assessment that, together with local development plans, enables the Company to determine the appropriate areas in which to invest. This will ensure that the network delivers a reliable and safe supply cost effectively.

The Company is focused on being a responsible neighbour with a care for the environment. Equipment is constantly monitored to ensure that it is operating as intended without detriment to the surrounding area.

Financial review

Resources
The Company’s principal resources are its network assets and its access to the skilled workforce of UK Power Networks (Operations) Limited, which operates the network on the Company’s behalf.

Key performance indicators
The Company measures the achievement of its objectives through the use of quantitative assessments and (where quantitative means are less relevant) through the use of qualitative assessments. The principal key financial performance indicators (‘KPIs’) are set out below:

<table>
<thead>
<tr>
<th>Key performance indicator</th>
<th>Year end March 2011</th>
<th>Year end March 2010</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹</td>
<td>230</td>
<td>(40)</td>
<td>675%</td>
</tr>
<tr>
<td>Capital expenditure, net of contributions from customers</td>
<td>3,242</td>
<td>1,273</td>
<td>155%</td>
</tr>
<tr>
<td>Net debt</td>
<td>6,291</td>
<td>3,825</td>
<td>64%</td>
</tr>
</tbody>
</table>

¹ EBITDA is a non-statutory measure, and is calculated by adding back amortisation and depreciation to operating profit.

Comparison to price control

The Company is subject to a price control by Ofgem, which sets total regulated revenue annually over a five year period. The latest period commenced on 1 April 2010. The Company is licensed to charge the same tariffs as London Power Networks plc, whose Regulatory Accounts are available to the public on request from Energy House, Carrier Business Park, Hazelwick Avenue, Three Bridges, Crawley, West Sussex RH10 1EX or by telephoning 01293 657862.
OPERATING AND FINANCIAL REVIEW continued

Treasury policy, objectives and capital structure
The Company’s funding and liquidity are managed within a framework of policies and guidelines authorised by the Board of Directors. The Company has net debt of £6.3m (2010: £3.8m) which includes borrowings of £10.0m (2010: £5.0m) drawn under a £10.0m unsecured Revolving Credit Facility extended by the parent company, UK Power Networks (IDNO) Finance Limited. Interest on principal amounts outstanding under the facility is charged at the aggregate of twelve-month LIBOR plus a margin of 1.5% percent. The weighted average cost of debt for the year was 2.64% (2010: 2.54%).

The borrowings are offset by £0.2m (2010: £1.2m) of cash at bank. The Company receives interest on positive cash balances invested by the UK Power Networks Treasury Department under strict procedures, which limit the amount and duration of investments, and only allows money to be deposited with reputable banks and building societies.

Liquidity and cash flows
The Company generates cash primarily from Use of System charges which are payable within 14 days of the demand for payment. Payments to suppliers and contractors are made in accordance with negotiated terms. The construction of the Network is funded by the Olympic Development Authority and Stratford City Development Limited under a concession agreement. The Company plans its working capital requirements to take account of expected cash inflows and outflows.
DIRECTORS’ REPORT

The Directors present their annual report and audited Regulatory Accounts for the year ending 31 March 2011.

The Regulatory Accounts are not the Statutory Financial Statements of the Company, which are drawn up to 31 December annually and are available to the public from Energy House, Carrier Business Park, Hazelwick Avenue, Three Bridges, Crawley, West Sussex, RH10 1EX.

Principal activity and review of the business

The Company’s principal activity is the independent distribution of electricity to domestic, commercial and industrial customers through network ownership, management, operation, maintenance and renewal.

The Company received its regulatory Electricity Distribution Licence under the Electricity Act 1989 on 22 January 2009 to operate as an Independent Distribution Network Operator (‘IDNO’). Under a 40 year concession agreement with the Olympic Delivery Authority and Stratford City Development Ltd, the Company is contracted to build and operate the electricity distribution network for the London 2012 Olympics site. The network is currently under construction.

Change of ownership

On 29 October 2010, UK Power Networks Holdings Limited (formerly Eclipse First Network Limited) acquired the Distribution Networks, including UK Power Networks (IDNO) Limited (formerly EDF Energy (IDNO) Limited) and associated non-regulated businesses, from EDF Energy plc.

Change of name

On 1 November 2010, subsequent to the acquisition, the Company changed its name from EDF Energy (IDNO) Limited to UK Power Networks (IDNO) Limited.

Results and dividends

The loss for the year, before taxation amounted to £215,000 (2010: £57,000) and after taxation to £154,000 (2010: £41,000). No dividend was paid in the current or prior year.

Future developments

The Company will provide the sole electrical utility infrastructure for the London 2012 Olympics site with the long term objective of distributing electricity to a regenerated Lower Lea Valley area. The Company will continue to operate as long as it fulfils the regulatory licence requirements of the Office of Gas and Electricity Markets (‘Ofgem’).

Directors

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

Thomas Kusterer (resigned on 29 October 2010)
Laurent Ferrari (resigned on 29 October 2010)
Christopher Baker (resigned on 29 October 2010)
Richard Martin Harpley (appointed on 20 October 2010 and resigned on 29 October 2010)*
Andrew John Hunter (appointed on 29 October 2010)
Neil Douglas McGee (appointed on 29 October 2010)
Basil Scarsella (appointed on 29 October 2010)

*Appointed as alternate director to Laurent Ferrari

None of the Directors had a service contract with the Company in the current or prior year.

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year, which remain in force at the date of this report.
DIRECTORS’ REPORT continued

Going concern
Whilst the Company has recorded a loss in the period and holds net liabilities, the Company’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company has adequate resources to continue operating for the foreseeable future. The construction of the IDNO network is funded by the Olympic Delivery Authority and Stratford City Development Limited under a long-term concession agreement. The Company also has access to a £10.0m loan facility from the parent company UK Power Networks (IDNO Finance) Limited. Thus, the Directors have continued to adopt the going concern basis in preparing the financial statements.

Political and charitable contributions
The Company made no charitable or political contributions in either year.

Disclosure of information to Auditor
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 Auditor is 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 Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor
Deloitte LLP was appointed as Auditor to the Company by a members’ resolution dated 15 October 2009. In accordance with s487 of the Companies Act 2006, Deloitte LLP are deemed reappointed until such time as the members or the Directors determine otherwise.

By order of the Board

B Scarsella
Director
21 September 2011
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Regulatory Accounts in accordance with applicable law and regulations. Standard Licence Condition 55 of the Distribution Licence requires the Directors to prepare Regulatory Accounts, for each regulatory year, which present fairly the assets, liabilities, reserves and provisions of, or reasonably attributable to, the Company and of revenues, costs and cash flows of, or reasonably attributable to, the Company for that period. In preparing the Regulatory Accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Regulatory Accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Standard Licence Condition 55 as applicable. They are also responsible for the system of internal control, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm to the best of their knowledge that:

- the Regulatory Accounts, prepared in accordance with the Company's accounting policies and Standard Licence Condition 55, give a true and fair view of the assets and liabilities, financial position and loss of UK Power Networks (IDNO) Limited as at 31 March 2011; and
- the Directors' report includes a true and fair view of the development and performance of the business and the financial position of UK Power Networks (IDNO) Limited, together with a description of its principal risks and uncertainties.

Signed on behalf of the Board of Directors of UK Power Networks (IDNO) Limited on 21 September 2011.

B Scarsella
Director
REPORT ON CORPORATE GOVERNANCE

UK Corporate Governance Code

The Company is not listed on the London Stock Exchange and so is not obliged by law to comply with Stock Exchange listing rules, nor to make the same disclosures as listed companies. In addition the Board of Directors does not believe that all of the guidance set out in the UK Financial Reporting Council's Corporate Governance Code, issued in May 2010 ('the Code'), is applicable to the Company. However, the Company does seek to operate to the highest standards of Corporate Governance, and has voluntarily adopted the principles underlying the guidance set out in the Code.

In this respect, the Directors have complied with the Code to the extent considered applicable and have provided all relevant information 'as if the required disclosures applied to the licensee as a Quoted Company', in accordance with paragraph 55 of the Standard Licence Conditions. The relevant disclosures are included below in this Report on Corporate Governance, in the Statement of Directors' Responsibilities, and in the Directors' Report.

In accordance with the 'comply or explain' approach recommended by the Code, the principal areas of the Code which are not considered applicable are explained as follows.

- The Company is a 100% wholly owned subsidiary of UK Power Networks Holdings Limited and forms part of the UK Power Networks Holdings group (the "Group"), which is overseen by the Board of UK Power Networks Holdings Limited (the "Board"). The Group is owned by a consortium of three Companies incorporated outside the UK: Cheung Kong Infrastructure Holdings Limited; Power Assets Holdings Limited; and Li Ka-Shing Foundation. The Board of each company within the group is determined by the consortium shareholder companies, each of which nominates Directors in proportion to their shareholdings. As such there is no requirement for a formal Nominations Committee to select candidates.

- The shareholder appointed Directors do not hold an executive role in the Group, and therefore maintain an acceptable level of independence from the executive management of the Group. As such the appointment of an independent Chairman and non-executive Directors is not deemed necessary.

- The Board, which is responsible for all aspects of governance of the Group, has established the following committees:
  - Audit Committee
  - Remuneration Committee
  - Treasury Committee
  - Risk and Compliance Committee

Each committee's performance, constitution and terms of reference are reviewed annually to ensure that they are operating effectively. The Company Secretary acts as a secretary for each committee.

- Duplicate Board committees at Company level have not been established as the terms of reference confirm that the scope of the above committees extends across the UK Power Networks Group. The following discussion refers to the corporate governance policies applied on a group wide basis encompassing this Company.

Corporate Governance Policies

The Corporate Governance Policy, most recently updated in March 2011, outlines the governance structure within the Group including the delegation of responsibilities for risk management and internal control. The core components of the framework include:

- the constitution of the Board and the Board Committees as well as the individual Boards of the subsidiary companies;
- the roles and responsibilities of the Executive Management Team; and
- delegated responsibilities for key areas including risk management and internal control.
Corporate Governance Policies continued

The Corporate Governance Framework Policy is supported by the Risk, Control and Compliance Policy and underlying procedures. The Risk, Control and Compliance Policy, most recently updated in March 2011, defines the framework in which the Group:

- proactively identifies risks to its strategy, objectives, business developments and processes and implements internal controls to mitigate these;
- explores the efficacy of those controls in mitigating the risks through internal audit and other monitoring mechanisms;
- reactively monitors incidents, errors and breaches to identify control failures and determine areas for improvement; and
- develops contingency arrangements for business continuity and emergency incidents.

Internal Control

The Board of the Group (through the Audit Committee) is responsible for the Group’s system of internal control and for reviewing its effectiveness. The Group’s system of internal control and risk management process help to safeguard the Group’s assets. However, the Board recognises that such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

During the period the executive management team conducted a review of the systems of Internal Control. In addition the Board commissioned an independent review of the systems of Internal Control. These assessments enable the Group to identify areas where attention is required to improve business performance and effectiveness.

The key elements of the Group’s system of internal control include:

Governance and control environment

The Board is collectively responsible for the oversight of the management of the Group. The Board comprises the Chief Executive Officer of the Group and nine shareholder nominated Directors. The Board has determined those decisions that require approval by the Board and the delegation of authority for other decisions.

The Group Secretary is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions.

In order to assist the Board in fulfilling its oversight responsibilities, the four Board committees have the following terms of reference:

- Audit Committee: The remit primarily includes; the financial reporting and financial management of the Group; the system of internal controls that are in place in the Group; and the internal and external audit processes in the Group.

- Remuneration Committee: The remit primarily includes the adoption of principles and standards for executive remuneration and benefits.

- Treasury Committee: The remit primarily includes compliance with Treasury policy, strategy, processes and procedures.

- Risk Management and Compliance Committee: The remit primarily includes; compliance with obligations determined by statute, legislation/regulation, contract or agreement; and overseeing the risk profile and risk management functions of the Group.
Governance and control environment continued

The executive management team of the Group comprises the Chief Executive Officer of the Group and Directors for each of the distinct business areas, or Directorates. In order to assist the executive management team in fulfilling their responsibilities, committees with delegated authority for defined matters have been established.

The Group is appropriately structured into distinct Directorates, each of which is managed by a member of the executive management team. The senior management team within each Directorate has defined responsibilities which allow for effective operations to achieve the Group’s objectives. Lines of responsibility and levels of authority are formally documented and enforced.

Risk identification and control

The Group operates a structured risk and control assessment process which is overseen by the Corporate Governance Committee. The Corporate Governance Committee is supported by a risk review meetings conducted by the senior management within each business Directorate.

The role of the business Directorate risk review meetings is to assess new risks, review existing risks and monitor control improvement actions. Each identified risk is defined and assessed by the risk owner. This includes an assessment of the likelihood of the risk occurring and the associated impact, key mitigating controls, and an assessment of the adequacy of those controls. Where appropriate control improvement actions are defined.

Significant risks and delivery of control improvement actions are monitored and reported to the executive and senior management teams on a monthly basis, and actively managed by the designated risk owners.

The Board of Directors has established the scope of the internal audit function which is responsible for reviewing the effectiveness of the Group’s systems of internal control and reports to the Audit Committee of the Board.

Internal control framework

Control procedures have been implemented throughout the Group and are designed to ensure complete and accurate accounting for financial transactions, to safeguard the Group’s assets and to ensure compliance with laws and regulations. These control procedures form the Integrated Management System; a controlled framework of policy and procedural documentation.

All control procedures are subject to regular review and formal ratification and approval. As part of the Integrated Management System, procedural implementation and compliance is subject to compliance auditing.

Control procedures relating to the reliability of financial information

The consolidated financial statements of the Group and its subsidiaries are prepared by the central reporting team based on results submitted by each Directorate. Each Directorate is supported by an appropriately qualified finance team who provide advice to Directors and managers and liaise with the central reporting team on such matters as the application of accounting policies, procedures and internal controls. The accounts are prepared under UK GAAP and the accounting policies have been aligned, where appropriate, with that of the Cheung Kong (Holdings) Limited group. The role of the central reporting team includes liaising with the shareholders regarding such matters as accounting policies, planning for changes and reporting requirements and to ensure that these are communicated effectively to the Directorates. There is regular dialogue between the reporting team and the Directorates to ensure there is appropriate understanding.
Control procedures relating to the reliability of financial information continued

The Directorates are accountable for the review and approval of the monthly accounts prior to submission to the central reporting team who then undertake further reviews and challenge. The monthly accounts of each Directorate are reviewed during the executive management team meetings attended by the Chief Executive Officer and the Director of Finance. Consolidated financial information is presented at Board meetings. The annual results of the Group are presented to the Audit Committee prior to approval by the Board. The results for the year to date are formally presented to the Directors at each meeting of the Board.

Monitoring and corrective action

The Group has established structured performance monitoring to measure achievement against the strategy and objectives of the Group. The structured approach includes a combination of quantitative metrics and qualitative analysis to ensure areas for improvement are promptly identified and addressed.

In order to monitor compliance with internal controls, the Group operates a ‘three lines of defence’ approach.

- First line of defence – management control. Management undertake monitoring of their processes to satisfy themselves that the defined controls operate economically, effectively and efficiently; and that key risks are identified and assessed.
- Second line of defence – oversight and challenge. There are designated functions and committees in place to test and challenge the effective operation of controls. These include audit functions, advisory and monitoring functions, and committees established by the executive management team.
- Third line of defence – independent assurance. Independent assurance is provided by the Internal Audit function and external audits and accreditations.

Identified control weaknesses and corrective actions are reported to the executive and senior management teams and monitored monthly. Significant weaknesses in internal control are reported to the executive management team and, if appropriate, to the Audit Committee.

Audit committee

The Audit Committee is a Board Committee of the Group, with responsibility for assisting the Board in fulfilling its oversight responsibilities with respect to: the financial reporting and financial management of the Group; the system of internal controls that are in place in the Group; and the internal and external audit processes in the Group. This includes all material controls, including financial, operational and compliance controls and risk management functions. Membership includes shareholder-appointed representatives with appropriate skills and experience to discharge their duties.

The Internal Audit function has responsibility for providing independent assurance to the Chief Executive Officer and Audit Committee as to the effectiveness of the policies, procedures and standards which constitute the system of internal control, including: risk management; corporate governance; and compliance with relevant laws and regulations.

The relationship between Internal Audit and management requires management to be primarily responsible for ensuring that the systems of internal control are implemented and operated so as to provide reasonable assurance that the objectives of the business will be met and that the risks or threats to the business are mitigated. In addition to providing independent review, the Internal Audit function will provide advice and guidance to management on the appropriateness of internal control mechanisms and systems.
Effectiveness review

The Group is continuously making improvements to the system of internal control through structured review of the Integrated Management System and other targeted control reviews.

As principal shareholders, Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited, require that the Group provides an annual report of the quality of the internal control system covering key business processes and outlining material control weaknesses. In forming a view of the quality of the systems of internal control, the executive management team consider; audit findings; compliance review findings; risks with controls assessed as sub-optimal; and completion of corrective actions related to these areas.

In addition the Board commissioned an independent review of the systems of Internal Control during the reporting period.

These assessments enable the Group to identify areas where attention is required to improve the system of internal control, business performance and operating effectiveness.
UK POWER NETWORKS (IDNO) LIMITED
(FORMERLY EDF ENERGY (IDNO) LIMITED)
31 MARCH 2011

INDEPENDENT AUDITOR REPORT TO THE GAS AND ELECTRICITY MARKETS AUTHORITY ('THE REGULATOR') AND EDF ENERGY (IDNO) LIMITED ('THE COMPANY')

We have audited the Regulatory Accounts of the Company for the year ended 31 March 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of accounting policies and the related notes numbered 1 to 18. The financial reporting framework that has been applied in their preparation is Standard Condition 55 of the Electricity Distribution Regulatory Licence (the "Regulatory Licence") and the accounting policies set out in the Statement of Accounting Policies.

This report is made, on terms that have been agreed, solely to the Company and the Regulator in order to meet the requirements of Standard Condition 55 of the Regulatory Licence. Our audit work has been undertaken so that we might state to the Company and the Regulator those matters that we have agreed to state to them in an independent auditors' report, in order (a) to assist the Company to meet its obligation under the Regulatory Licence to procure such a report and (b) to facilitate the carrying out by the Regulator of its regulatory functions, 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 Regulator, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Regulator, the Directors and Auditor

The nature, form and content of Regulatory Accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for preparing the regulatory accounts and for their fair presentation in accordance with the basis of preparation and accounting policies as set out in the notes to the regulatory accounts. Our responsibility is to audit and express an opinion on the regulatory accounts in accordance with International Standards on Auditing (UK and Ireland), except as stated in the 'Scope of the audit of the regulatory accounts', below and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities'. Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the regulatory accounts

An audit involves obtaining evidence about the amounts and disclosures in the regulatory accounts sufficient to give reasonable assurance that the regulatory accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the regulatory accounts. In addition, we read all the financial and non-financial information, being the [operating and financial review, the Directors’ report, the corporate governance statement and the statement of Directors’ responsibilities] in the annual report to identify material inconsistencies with the audited regulatory accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We have not assessed whether the accounting policies are appropriate to the circumstances of the Company where these are laid down by Standard Condition 55 of the Regulatory Licence. Where Standard Condition 55 of the Regulatory Licence does not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the regulatory accounts are consistent with those used in the preparation of the statutory financial statements of UK Power Networks (IDNO) Limited. Furthermore, as the nature, form and content of regulatory accounts are determined by the Regulator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under International Standards on Auditing (UK and Ireland).
INDEPENDENT AUDITOR REPORT TO THE GAS AND ELECTRICITY MARKETS AUTHORITY ('THE REGULATOR') AND UK POWER NETWORKS (IDNO) LIMITED ('THE COMPANY') continued

Opinion on regulatory accounts
In our opinion the regulatory accounts:
• present fairly in accordance with Standard Condition 55 of the Regulatory Licence and the accounting policies set out in note 1, the financial position of the Company as at 31 March 2011 and of its financial performance and cash flows for the year then ended; and
• have been properly prepared in accordance with Standard Condition 55 of the Regulatory Licence and the accounting policies.

Other matters
The nature, form and content of regulatory accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator’s purposes. Accordingly we make no such assessment.

Our opinion on the regulatory accounts is separate from our opinion on the Statutory Accounts of the Company on which we reported on 26 April 2011, which are prepared for a different purpose. Our audit report in relation to the statutory accounts of the Company (our “statutory audit”) was made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company’s members those matters we are required to state to them in a statutory auditor’s report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Company and the Company’s members as a body, for our Statutory audit work, for our Statutory audit report, or for the opinions we have formed in respect of that Statutory audit.

Deloitte LLP
Chartered Accountants
London, United Kingdom
23 September 2011
UK POWER NETWORKS (IDNO) LIMITED
(FORMERLY EDF ENERGY (IDNO) LIMITED)
31 MARCH 2011

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>£000</td>
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<tr>
<td>Turnover</td>
<td>3</td>
<td>373</td>
</tr>
<tr>
<td>Gross profit</td>
<td></td>
<td>373</td>
</tr>
<tr>
<td>Distribution costs</td>
<td></td>
<td>(265)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td></td>
<td>(133)</td>
</tr>
<tr>
<td>Loss on ordinary activities before interest and taxation</td>
<td>4</td>
<td>(25)</td>
</tr>
<tr>
<td>Interest receivable and similar income</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Interest payable and similar charges</td>
<td>7</td>
<td>(198)</td>
</tr>
<tr>
<td>Loss on ordinary activities before taxation</td>
<td></td>
<td>(215)</td>
</tr>
<tr>
<td>Tax credit on loss on ordinary activities</td>
<td>8</td>
<td>61</td>
</tr>
<tr>
<td>Loss for the financial year</td>
<td>14</td>
<td>(154)</td>
</tr>
</tbody>
</table>

All results are derived from continuing operations in the current and prior year.

There were no recognised gains or losses in either year other than the loss for the year. Accordingly, no statement of total recognised gains and losses has been presented.
UK POWER NETWORKS (IDNO) LIMITED
(FORMERLY EDF ENERGY (IDNO) LIMITED)
31 MARCH 2011

BALANCE SHEET
AS AT 31 MARCH 2011

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>4,260</td>
<td>1,273</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>3,072</td>
<td>2,881</td>
</tr>
<tr>
<td>Investments: Unlisted money market investments</td>
<td>3,500</td>
<td>-</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>209</td>
<td>1,175</td>
</tr>
<tr>
<td></td>
<td>6,781</td>
<td>4,056</td>
</tr>
<tr>
<td><strong>Creditors: amounts falling due within one year</strong></td>
<td>11</td>
<td>(11,203)</td>
</tr>
<tr>
<td><strong>Net current liabilities</strong></td>
<td>(4,422)</td>
<td>(1,285)</td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td>(162)</td>
<td>(12)</td>
</tr>
<tr>
<td>Provisions for liabilities</td>
<td>12</td>
<td>(33)</td>
</tr>
<tr>
<td><strong>Net liabilities</strong></td>
<td>(195)</td>
<td>(41)</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called up share capital</td>
<td>13</td>
<td>-</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>14</td>
<td>(195)</td>
</tr>
<tr>
<td><strong>Shareholder's deficit</strong></td>
<td>14</td>
<td>(195)</td>
</tr>
</tbody>
</table>

The regulatory accounts on pages 16 to 26 were approved by the Board of Directors on 21 September 2011 and were signed on its behalf by:

B Scarsella
Director
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Net cash inflow/(outflow) from operating activities</td>
<td>842</td>
<td>(2,535)</td>
</tr>
<tr>
<td>Returns on investments and servicing of finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(74)</td>
<td>(17)</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporation tax paid</td>
<td>(66)</td>
<td>(17)</td>
</tr>
<tr>
<td>Capital expenditure and financial investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to acquire tangible fixed assets</td>
<td>(21,844)</td>
<td>(7,959)</td>
</tr>
<tr>
<td>Receipts of customer contributions</td>
<td>18,602</td>
<td>6,686</td>
</tr>
<tr>
<td></td>
<td>(3,242)</td>
<td>(1,273)</td>
</tr>
<tr>
<td>Net cash flow before management of liquid resources and financing</td>
<td>(2,466)</td>
<td>(3,825)</td>
</tr>
<tr>
<td>Management of liquid resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in short term deposits</td>
<td>(3,500)</td>
<td>-</td>
</tr>
<tr>
<td>Net cash flow before financing</td>
<td>(5,966)</td>
<td>(3,825)</td>
</tr>
<tr>
<td>Financing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in short term borrowings</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>(Decrease)/increase in cash for the year</td>
<td>(966)</td>
<td>1,175</td>
</tr>
</tbody>
</table>

Reconciliation of net cash flow to movement in net debt

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Decrease)/increase in cash for the year</td>
<td>(966)</td>
<td>1,175</td>
</tr>
<tr>
<td>Increase in liquid resources</td>
<td>3,500</td>
<td>-</td>
</tr>
<tr>
<td>Increase in short term borrowings</td>
<td>(5,000)</td>
<td>(5,000)</td>
</tr>
<tr>
<td>Change in net debt resulting from cash flows</td>
<td>(2,466)</td>
<td>(3,825)</td>
</tr>
<tr>
<td>Net debt at 1 April</td>
<td>(3,825)</td>
<td>-</td>
</tr>
<tr>
<td>Net debt at 31 March</td>
<td>(6,291)</td>
<td>(3,825)</td>
</tr>
</tbody>
</table>
NOTES TO THE ACCOUNTS

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

Purpose and basis of preparation of the accounts
The Regulatory Accounts are a primary source of audited financial information about the licensed electricity distribution business. They have been prepared in accordance with the terms of the Regulatory Licence. Regulatory Accounts are separate to the audited Statutory Financial statements which are prepared to 31 December each year.

The Regulatory Licence requires the Regulatory Accounts to be prepared with the same content and format as the most recent Statutory Accounts of the Company. Statutory Accounts are required to be prepared under the historical cost convention and are in accordance with applicable United Kingdom accounting standards, except as noted below in respect of ‘Tangible fixed assets’.

The Company is exempt from the disclosures required by FRS 29 ‘Financial Instruments: Disclosures’ since the Company is a subsidiary of UK Power Networks Holdings Limited which prepares consolidated accounts under UK GAAP that comply with requirements of FRS 29.

Going concern
The financial statements have been prepared on the going concern basis. The grounds for adopting this basis are discussed in the Directors’ report.

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

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

- Overhead and underground lines: 45 to 60 years
- Other network plant and buildings: 20 to 60 years
- Fixtures and equipment: 5 years
- Vehicles: 5 to 10 years

Assets in the course of construction for production are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Customer contributions in respect of capital expenditure are credited to a fixed asset account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual installments. The un-amortised amount of such contributions is shown as a deduction from fixed assets. This is a departure from the Companies Act 2006, which requires fixed assets to be included at their purchase price or production cost and hence the contribution would be presented as deferred income. However, contributions relate directly to the cost of fixed assets used in the distribution network and it is the opinion of the Directors that the treatment adopted is necessary to give a true and fair view. The value of the contributions is shown in note 9.
NOTES TO THE ACCOUNTS continued

1. Accounting policies continued

Finance costs
Finance costs on borrowings are recognised in the profit and loss account over the term of such instruments, at a constant rate on the carrying amount.

Borrowings
Borrowings are stated at the amount of the drawdown on the credit facility. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

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

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

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

- provision is made for gains on re-valued fixed assets only where there is a commitment to dispose of the re-valued assets and the attributable gain can neither be rolled over nor eliminated by capital losses; and

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis.

2. Segment information
The operations of the Company are all accounted for by a single segment, namely Distribution (DUoS).

3. Turnover
Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to electricity distribution and the invoice value of other goods and services provided. This includes an estimate of the sales value of units distributed to customers between the date of the last meter reading and the year end.
NOTES TO THE ACCOUNTS continued

4. Loss on ordinary activities before interest and taxation

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>This is stated after charging:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of owned fixed assets</td>
<td>255</td>
<td>-</td>
</tr>
</tbody>
</table>

Amounts payable to Deloitte LLP and their associates by the Company in respect of audit services were £5,000 (2010: £5,000). A further charge of £5,000 (2010: £5,000) related to non-audit services relating to certification of the regulated accounts. Auditors’ remuneration was borne by another group company.

The Company had no employees in either the current or the prior year.

5. Directors’ emoluments

The Directors are not employed directly by the Company and did not receive any remuneration for services to the Company during the year or the preceding year.

6. Interest receivable and similar income

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Bank interest receivable</td>
<td>8</td>
<td>-</td>
</tr>
</tbody>
</table>

7. Interest payable and similar charges

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Interest payable on loans from other Group companies</td>
<td>198</td>
<td>17</td>
</tr>
</tbody>
</table>
NOTES TO THE ACCOUNTS continued

8. Tax on loss on ordinary activities

(a) Analysis of tax credit in the year:

<table>
<thead>
<tr>
<th>UK current tax</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK corporation tax credit on loss for the year</td>
<td>(96)</td>
<td>(45)</td>
</tr>
<tr>
<td>Adjustment in respect of previous periods</td>
<td>31</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current tax credit for the year (note (b))</strong></td>
<td>(65)</td>
<td>(45)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UK deferred tax</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Origination and reversal of timing differences</td>
<td>33</td>
<td>29</td>
</tr>
<tr>
<td>Adjustment in respect of previous periods</td>
<td>(29)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total deferred tax charge for the year</strong></td>
<td>4</td>
<td>29</td>
</tr>
<tr>
<td><strong>Total tax credit on loss on ordinary activities</strong></td>
<td>(61)</td>
<td>(16)</td>
</tr>
</tbody>
</table>

(b) Factors affecting tax charge for the year:

The tax assessed for the year is lower (2010: lower) than the standard rate of corporation tax in the UK.

The differences are explained below.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on ordinary activities before tax</td>
<td>(215)</td>
<td>(57)</td>
</tr>
<tr>
<td>Tax on loss on ordinary activities at standard UK rate of corporation tax of 28% (2010: 28%)</td>
<td>(60)</td>
<td>(16)</td>
</tr>
<tr>
<td>Effect of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital allowances in excess of depreciation</td>
<td>(36)</td>
<td>(29)</td>
</tr>
<tr>
<td>Adjustment in respect of previous years</td>
<td>31</td>
<td>-</td>
</tr>
<tr>
<td><strong>Current tax credit for the year</strong></td>
<td>(65)</td>
<td>(45)</td>
</tr>
</tbody>
</table>
NOTES TO THE ACCOUNTS continued

9. Tangible fixed assets

<table>
<thead>
<tr>
<th></th>
<th>Network Assets £000</th>
<th>Non Network IT £000</th>
<th>Customers' Contributions £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2010</td>
<td>6,967</td>
<td>992</td>
<td>(6,686)</td>
<td>1,273</td>
</tr>
<tr>
<td>Additions</td>
<td>21,844</td>
<td>-</td>
<td>(18,602)</td>
<td>3,242</td>
</tr>
<tr>
<td><strong>At 31 March 2011</strong></td>
<td>28,811</td>
<td>992</td>
<td>(25,288)</td>
<td>4,515</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2010</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>382</td>
<td>248</td>
<td>(385)</td>
<td>255</td>
</tr>
<tr>
<td><strong>At 31 March 2011</strong></td>
<td>392</td>
<td>248</td>
<td>(385)</td>
<td>255</td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 March 2011</td>
<td>28,419</td>
<td>744</td>
<td>(24,903)</td>
<td>4,260</td>
</tr>
<tr>
<td>At 31 March 2010</td>
<td>6,967</td>
<td>992</td>
<td>(6,686)</td>
<td>1,273</td>
</tr>
</tbody>
</table>

10. Debtors

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Trade debtors</td>
<td>135</td>
<td>7</td>
</tr>
<tr>
<td>Amounts owed from Group undertakings</td>
<td>2,827</td>
<td>2,829</td>
</tr>
<tr>
<td>Corporation tax (Group relief receivable)</td>
<td>110</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,072</td>
<td>2,881</td>
</tr>
</tbody>
</table>

11. Creditors: amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Borrowings</td>
<td>10,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Amounts due to Group undertakings</td>
<td>1,010</td>
<td>298</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Other creditors</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>158</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,203</td>
<td>5,341</td>
</tr>
</tbody>
</table>

The borrowings are drawn under a £10.0m unsecured Revolving Credit Facility extended by the Company’s parent UK Power Networks (IDNO Finance) Limited at twelve month LIBOR plus a margin of 1.5%.
NOTES TO THE ACCOUNTS continued

12. Provisions for liabilities
The movements in provisions during the current year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>At 1 April 2010 £000</th>
<th>Arising during the year £000</th>
<th>At 31 March 2011 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax</td>
<td>29</td>
<td>4</td>
<td>33</td>
</tr>
</tbody>
</table>

Deferred taxation provided in the financial statements is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011 £000</th>
<th>2010 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerated capital allowances</td>
<td>138</td>
<td>29</td>
</tr>
<tr>
<td>Losses</td>
<td>(105)</td>
<td>-</td>
</tr>
<tr>
<td>Provision for deferred tax (above)</td>
<td>33</td>
<td>29</td>
</tr>
</tbody>
</table>

13. Share capital

Authorised

<table>
<thead>
<tr>
<th></th>
<th>2011 Number</th>
<th>2010 Number</th>
<th>2011 £</th>
<th>2010 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares of £1 each</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Allotted, called up and fully paid

<table>
<thead>
<tr>
<th></th>
<th>2011 Number</th>
<th>2010 Number</th>
<th>2011 £</th>
<th>2010 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares of £1 each</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
NOTES TO THE ACCOUNTS continued

14. Reconciliation of shareholder’s funds

<table>
<thead>
<tr>
<th></th>
<th>Share Capital £000</th>
<th>Profit and loss account £000</th>
<th>Total Shareholder’s funds £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2009</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>(41)</td>
<td>(41)</td>
</tr>
<tr>
<td>At 31 March 2010</td>
<td>-</td>
<td>(41)</td>
<td>(41)</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>(154)</td>
<td>(154)</td>
</tr>
<tr>
<td>At 31 March 2011</td>
<td>-</td>
<td>(195)</td>
<td>(195)</td>
</tr>
</tbody>
</table>

15. Capital commitments
Amounts contracted for but not provided in the financial statements amounted to £2.0m (2010: £1.3m).

16. Notes to the cash flow statement

<table>
<thead>
<tr>
<th>Reconciliation of operating loss to net cash inflow/(outflow) from operating activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Operating loss</td>
</tr>
<tr>
<td>Depreciation of tangible fixed assets</td>
</tr>
<tr>
<td>Increase in debtors</td>
</tr>
<tr>
<td>Increase in creditors</td>
</tr>
</tbody>
</table>

Net cash inflow/(outflow) from operating activities | 842 (2,535) |

17. Related parties
As part of the UK Power Networks Group, the Company engages in transactions with other Group companies in the normal course of business.

Charges were received from other Group entities (principally UK Power Networks (Operations) Limited) in respect of costs incurred on the Company’s behalf. These were for personnel and administration costs, capital expenditure (net of customer contributions), loan interest, etc, and amounted to £0.9m for the year ended 31 March 2011 (2010: £4.1m).

Balances owed to other Group entities amounted to £11.0m (2010: £5.3m). Balances due from other Group entities amounted to £2.8m (2010: £2.8m).
NOTES TO THE ACCOUNTS continued

18. Parent undertaking and controlling party

UK Power Networks (IDNO Finance) Limited has a 100% interest in UK Power Networks (IDNO) Limited and is considered to be the immediate parent company.

UK Power Networks Services Holdings Limited heads the smallest group for which consolidated accounts are prepared which include the results of the Company. UK Power Networks Holdings Limited heads the largest group for which consolidated financial statements are prepared which include the Company. Copies of both sets of consolidated financial statements are available from the Company Secretary at Energy House, Carrier Business Park, Hazelwick Avenue, Three Bridges, Crawley, West Sussex, RH10 1EX.

UK Power Networks Holdings Limited is owned by a consortium consisting of:

- Power Assets Holdings Limited (Formerly Hong Kong Electric Holdings Limited)  Incorporated in Hong Kong
- Li Ka Shing Foundation Limited  Incorporated in Hong Kong
- Cheung Kong Infrastructure Holdings Limited  Incorporated in Bermuda

It is the opinion of the Directors that the parent company, UK Power Networks Holdings Limited has no single controlling party as that company is controlled jointly by the consortium.