EDF ENERGY (IDNO) LIMITED
(DISTRIBUTION BUSINESS)

Regulatory Accounts

for the year ended 31 March 2010

CONTENTS

Directors

Thomas Kusterer
Laurent Ferrari
Christopher Baker

Company Secretary

Joe Souto

Auditors

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Registered Office

40 Grosvenor Place
Victoria
London
SW1X 7EN

OPERATING AND FINANCIAL REVIEW

This Operating and Financial Review sets out the main trends and factors underlying the development and performance of EDF Energy (IDNO) Limited ('the Company') during the year ended 31 March 2010, 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, taking power from the National Grid at high voltage and transforming it down before delivery to customer premises.

The Company is wholly owned by its ultimate parent Electricité de France SA ('EDF SA'). The future ownership of the Company is dependent on the current review process by the EDF SA group to evaluate ownership options for its electricity distribution business in the United Kingdom which includes this Company.

The Company employs no staff (2009: nil). The operation of the London 2012 Olympics Site Network is undertaken on the Company's behalf by EDF Energy Networks Ltd, which manages three other regional UK electricity distribution networks on behalf of EDF Energy Networks (EPN) plc, (SPN) plc, and (LPN) plc, as well as a transport provider business (EDF Energy (Transport Services) Limited), and, via subsidiary and joint venture companies of EDF Energy plc, a number of private networks and infrastructures.

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

The EDF Energy Networks Business aims to be the leading electricity network business in the UK. To achieve this, the Business is focusing on:

- improving customer satisfaction;
- developing strong leadership and a high performing workforce;
- achieving excellence and innovation in managing and operating assets;
- seeking significant productivity improvements; and most importantly
- achieving a key objective of zero harm.

The Company's overall focus is on operational efficiency and the efficient delivery of capital and replacement expenditure programmes within the five-year regulatory framework. Financial policies are therefore designed to ensure the 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

The Company is exposed to both normal business risks and specific industry risks which include:

- regulatory price controls, treatment of costs and the allowed regulatory rate of return on investments (the latest five-year period of regulatory controls came into effect on 1 April 2010);
- changes in or breaches of, laws or regulation affecting the business;
- failure of the network or other critical non network operations. The network is vulnerable to the effects of weather; this may include wind damage, flooding, snow and lightning strike. In addition, the network is vulnerable to damage through the actions of the construction industry, other utilities, road traffic accidents and theft, as well as general wear.

OPERATING AND FINANCIAL REVIEW continued

Risks continued

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

The EDF Energy Networks Business 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 Key Risk Committee ('KRC'). The KRC 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 EDF Energy 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;
- Behavioural Safety Programme – developing further our 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;
- Risk Assessment review – carrying out a review of the risks we face in all our activities;
- Fit for work and health surveillance – occupational health programme;
- a risk based audit programme, supporting the move towards a certified combined SHEQT management system; and
- a commitment to amenity under-grounding.

These measures are specifically attributed to Health, Safety and the Environment. In addition to the specific measures a significant element of the capital investment programme contributes to these areas.

The health and safety of employees of EDF Energy Networks Ltd, 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.

OPERATING AND FINANCIAL REVIEW continued

Financial review

Resources

The Company's principal resources are its network assets and its access to the skilled workforce of EDF Energy Networks Ltd, 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 performance indicators ('KPIs') are set below:

Key performance indicator	Year end March 2010 £000	Year end March 2009 £000
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(40)	-
Capital expenditure, net of contributions from customers	1,273	-
Net debt	(3,825)	-

Treasury policy, objectives and capital structure

The Company's funding and liquidity are managed within a framework of policies and quidelines authorized by the Board of Directors The Company has net debt of £3.8m (2009: £nil) which includes borrowings of £5.0m (2009: £nil) drawn under a £10m unsecured Revolving Credit Facility extended by EDF Energy plc. Interest on principal amounts outstanding under the facility is charged at the aggregate of one-month LIBOR plus a margin of two percent and calculated on the principal amount outstanding under the facility on the basis of actual days elapsed over a 365 day year. The weighted average cost of debt incurred on these borrowings was 2.54% per annum (2009: N/A).

The borrowings are offset by £1.2m (2009: £nil) of cash at bank. The Company receives interest on positive cash balances invested by the EDF Energy plc 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 under the concession agreement. The Company plans its working capital requirements to take account of expected cash inflows and outflows.

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 EDF Energy Networks (LPN) 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.

DIRECTORS' REPORT

The Directors present their annual report and audited Regulatory Accounts for the year ending 31 March 2010.

Principal activity and review of the business

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 agreement was signed in May 2009 and the network is currently under construction. Once the network is fully in service, the Company's principal activity will be the independent distribution of electricity to domestic, commercial and industrial customers through network ownership, management, operation, maintenance and renewal.

Results and dividends

The loss for the year, before taxation amounted to £57k (2009: £nil) and after taxation £41k (2009: £nil). No dividend was paid in the current year (2009: £nil). The Company was dormant in the prior year.

Future developments

The Company will provide the sole electrical utility infrastructure for the London 2012 Olympics site, due to be completed by the end of 2010, 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').

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

Directors and their interests

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

Humphrey A E Cadoux-Hudson	(resigned 1 April 2009)
Thomas Kusterer (Chairman)	(appointed 1 April 2009)
Christopher Baker	(appointed 24 August 2009)
Laurent Ferrari	

None of the Directors had a contract with the Company in the current or prior year. They are all employed by the intermediate parent company, EDF Energy plc, and have contracts with that Company.

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

DIRECTORS' REPORT continued

Going concern

The Company's financial position, cash flows, liquidity position and borrowing facilities together with the factors likely to affect its future performance and the principal risk and uncertainties are set out within the Operating and Financial review on pages 2 to 4.

The construction of the IDNO network will be funded by the Olympic Delivery Authority and Stratford City Development Ltd under the concession agreement. The Company also has access to a £10m borrowing facility provided by the intermediate parent company EDF Energy plc. As mentioned above, the future ownership of the Company is under review. The Directors have considered the options available should the £10 million facility be withdrawn if the Company is no longer part of the EDF Energy Group. These options include seeking alternative external funding under new ownership. The Directors are satisfied that this revised funding strategy could be adopted if and when necessary, as the Regulator would require confirmation of the ability of the new owners to fund the Company in the future.

On the basis of the Company's forecasts and projections, and taking account of reasonably possible changes in trading performance and the information noted above, the Directors are satisfied that, although it is reporting a net liability as at 31 March 2010, the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues 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 Auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and

- the Director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

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

Auditors

Deloitte LLP were appointed as auditors to the Company by a members' resolution dated 15 October 2009. In accordance with s485 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

T Kusterer
Director

27 July 2010

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 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 EDF Energy (IDNO) Limited as at 31 March 2010; and
- the Directors' report includes a true and fair view of the development and performance of the business and the financial position of EDF Energy (IDNO) Limited, together with a description of its principal risks and uncertainties.

Signed on behalf of the Board of Directors of EDF Energy (IDNO) Limited on 27 July 2010.

T Kusterer
Director

REPORT ON CORPORATE GOVERNANCE

UK Corporate Governance Code

The Company is a subsidiary of EDF SA and 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. 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 UK Financial Reporting Council's Corporate Governance Code, issued in May 2010 ('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 License 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 EDF SA and forms part of the EDF Energy UK group, which is overseen by the Board of EDF Energy (UK) Limited ('EDF Energy UK'), of which the Company is also a 100% wholly owned subsidiary. The Board of EDF Energy UK is determined by EDF SA, and comprises both Executive and Non Executive Directors, the latter being employed by EDF SA, the ultimate Shareholder, and as such there is no requirement for a formal Nominations committee to select candidates.

- Two of the Directors of the Company are also Executive Directors of EDF Energy UK, providing a direct executive link between the two companies. Given the presence of Non Executive Directors on the EDF Energy UK Board, and the direct Executive link that exists between the two, further Non Executive Director representation at Company level is not considered necessary. Should it be necessary, the Board is empowered, at the Company's expense, to employ external advisors to address specific issues of particular complexity to help facilitate and support a Director's duties. In the normal course of business, Board meetings of the Company take place every quarter.

- The Board of EDF Energy UK, which is responsible for all aspects of governance for the UK group, has established certain standing committees to consider matters in detail and make recommendations to the Board. Currently these are:

    - Audit Committee
    - Remuneration Committee
    - Health and Safety Committee
    - Sustainable Development 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 EDF Energy UK group. For example, the Audit Committee's terms of reference confirms its primary function to be to assist the Board by reviewing the general policies and practices of EDF Energy UK and its controlled subsidiaries in respect of accounting and financial control matters, the internal control environment, risk assessment, risk management and corporate governance.

Corporate Governance Policies

The ultimate parent company EDF SA, being listed on the Paris Stock Exchange, is required to comply with the Loi de Sécurité Financière (LSF). The LSF requires the Chairman of EDF SA to provide in the annual report a description of the internal controls in the EDF Group and to provide an opinion on their effectiveness. The EDF Energy UK group ('the Group') has adopted the EDF Internal Control and Audit Policy which provides for:

- Management responsibility for Internal Control;
- a requirement to describe the systems of Internal Control;
- Management to provide assurances on the effectiveness of the systems of Internal Control;
- the requirement for remediation plans where the systems of Internal Control are assessed as not providing the assurances required; and
- independent verification of the assurance process.

The Corporate Risk Assurance Policy, originally implemented in 2003 and most recently reviewed and updated in May 2010, is a statement of what the organisation is seeking to achieve by actively managing risk. It defines a governance structure together with roles and responsibilities that will allow the Group to:

- promptly and continuously identify, evaluate, effectively control and report new and continuing risks that are significant at Group level;
- promote a consistent and comprehensive approach to Risk Management throughout EDF Energy, with strong ownership at Business Unit level;
- maintain a record of significant risks faced by each Business Unit and Corporate Function, together with remedial action plans and progress reports consolidated into a risk register for EDF Energy; and
- promote the development of risk control as a core business process and to provide a framework and awareness for exploiting opportunities, and containing or preventing loss.

Risk Management guidelines have also been developed to provide a standard approach to Risk Management and to facilitate a meaningful consolidation of Group risks.

Internal Control

The Board of EDF Energy UK (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 embedded risk management which has been in place throughout the year helps to safeguard the Company'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 Board conducted a self assessment of the systems of Internal Control in EDF Energy. This assessment enabled the Board to describe the systems of internal control of the UK entities and 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:

Control environment

The Group is committed to the highest standard of business conduct. The Group is appropriately structured according to business areas. This allows for effective operations to achieve the Group's objectives. Lines of responsibility and levels of authority are formally documented. The Group Executive Committee comprises the Group Chief Executive Officer, Business Unit Chief Operating Officers and Corporate Directors. This Committee defines authorities given to individual officers of the Group. The Committee also approves the five year medium term plan and budget which is the basis on which the objectives of the business are agreed and delegated. The Board of Directors have 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 of EDF Energy UK.

Risk identification and control

The Director of Strategy and Regulation is responsible for maintaining an oversight of Group systems of Internal Control and risk management, working closely with the Business Units and other corporate functions to ensure that their activities complement each other, and enhance the overall Group position. The objectives are to provide assurance that management of risks is effectively managed and embedded in day to day activities, that risk management activity has sufficient visibility and that there is transparency around decision making processes.

The relationship between Internal Audit and Risk Assurance requires Risk Assurance to be primarily responsible for ensuring the identification of risks and their mitigation and Internal Audit to be independently responsible for review of the mechanisms that provide assurance.

Specific Risk Management Committees have been established where required and operate to address specific risk areas including energy trading risk and health and safety.

Control activities

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. There are control processes to establish budgets, financial and service targets in each business unit/subsidiary against which performance is monitored in detail and agreements under which relationships with partners in joint ventures are controlled. High level reporting is made by business units/subsidiaries and functional heads at corporate level to the Group Executive Committee and the Board. This Committee approves individual projects within the medium term plan and approves the award of contracts either directly or by delegated authority within agreed limits.

Information and communication

The performance management cycle is based upon a balanced scorecard approach; the scorecard translates the Company's ambitions into key measures required to achieve sustainable value. Company measures are cascaded to Business Unit and Corporate functions and each business unit translates the Business Unit measures into team or sub-business unit measures with appropriate tracking mechanisms. For each performance measure there are agreed targets. Staff policies are in place to ensure that employees are competent, have appropriate skills and receive information required to effectively perform their roles. The Group's Intranet is widely used to communicate information to staff.

Monitoring and corrective action

Group performance is continually monitored. Business Unit Chief Operating Officers and Managing Directors report regularly on operating performance.

The Audit Committee is a sub-committee of the Board of EDF Energy UK, with advisory responsibility for issues related to Corporate Governance, risk and internal control. This covers all aspects of risk management and the system of internal control including financial, operational and compliance controls. The scope includes all EDF Energy UK companies but ultimate responsibility remains with the Board. Membership includes appointed non-executive representatives representing finance, risk and audit from EDF SA.

The Executive Committee and Audit Committee receive reports of key risks from the business units. These reports include for each risk an assessment of the likelihood of the risk occurring and the associated impact. The risk reports include the key mitigating controls and an assessment by the business units of their adequacy. Where appropriate businesses are required to identify the actions required and ensure that the risks are adequately managed.

Internal Audit reviews the operation of internal controls using a risk-based methodology and reports periodically to the Group Executive Committee and half yearly to the Audit Committee. Assignments are determined by reference to the risk framework and discussions with senior management including members of the Group Executive Committee.

REPORT ON CORPORATE GOVERNANCE continued

Control procedures relating to the reliability of financial information

The consolidated financial statements of EDF Energy plc and its subsidiaries are prepared by the central finance team based on results submitted by each business unit. The role of the central finance function is to receive instructions from EDF SA on such matters as accounting policies, planning for changes, and reporting requirements and to ensure that these are communicated effectively to the Business Units. There are regular meetings between the Central team and the business units to ensure there is appropriate dialogue and understanding.

The Business Units are accountable for the review and approval of the monthly accounts prior to submission to the Central team who then undertake further reviews and challenge. The monthly accounts of each business unit are reviewed during the formal Performance Review meetings attended by the Chief Executive Officer and the Chief Financial Officer. The annual and half-year results of the Group are presented to the Audit Committee prior to approval by the Board.

Effectiveness review

The Group is continuously making improvements to the system of internal control. The EDF Group Internal Control and Audit Policy requires, inter alia, that the Chief Executive Officer of EDF Energy provides an annual report to the Chairman of EDF SA of the quality of the internal control system.

As a result of the 2009 self assessment of the systems of Internal Control of the Group, areas where attention is required to improve business performance and effectiveness were identified. A programme of work is underway to bring about these improvements.

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 or that the risks or threats to the business are mitigated. Internal Audit is independently responsible for review of the mechanisms that provide assurance and for providing advice and guidance to management on the appropriateness of Internal Control mechanisms and systems.

Material weaknesses

Significant weaknesses in internal control are reported to the Group Executive Committee and, if appropriate, to the Audit Committee.

INDEPENDENT AUDITORS' 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 2010 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes numbered 1 to 17. These Regulatory Accounts have been prepared under the accounting policies set out therein.

This report is made, on terms that have been agreed, solely to the Company and the Regulator in order to meet the requirements of the Standard Condition 55 of the Electricity Distribution Licence, (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 our 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.

Basis of preparation

The Regulatory Accounts have been prepared under the historical cost convention and in accordance with Standard Condition 55 of the Company's Regulatory Licence and the accounting policies set out in the notes to the Regulatory Accounts.

The Regulatory Accounts are separate from the statutory financial statements of the Company and have not necessarily been prepared under the basis of Generally Accepted Accounting Practice in the United Kingdom ('UK GAAP'). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in financial statements prepared in accordance with the Companies Act 2006.

Respective responsibilities of the Regulator, the Directors and Auditors

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.

The Directors' responsibilities for preparing the Regulatory Accounts in accordance with Standard Condition 55 of the Regulatory Licence are set out in the Statement of Directors' responsibilities on page 7.

Our responsibility is to audit the Regulatory Accounts in accordance with International Standards on Auditing issued by the Auditing Practices Board, except as stated in the 'Basis of audit opinion', below and having regard to the guidance contained in Audit 05/03 *'Reporting to Regulators of Regulated Entities'*.

We report to you our opinion as to whether the Regulatory Accounts present fairly, in accordance with Standard Condition 55 of the Company's Regulatory Licence and the accounting policies set out on pages 17 to 18, the results and financial position of the Company. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information presented with the Regulatory Accounts, being the Operating and Financial Review, the Directors' Report, the Report on Corporate Governance, and the Statement of Directors' Responsibilities on which we do not express an audit opinion, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Regulatory Accounts.

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except as noted below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Regulatory Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Regulatory Accounts, and of whether the accounting policies are 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 Regulatory Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. However, 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).

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory financial statements of the Company on which we reported on 18 March 2010, 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.

Audit Opinion

- In our opinion the Regulatory Accounts present fairly in accordance with Standard Condition 55 of the Regulatory Licence and the accounting policies set out on pages 17 to 18, the financial position of the Company as at 31 March 2010 and its financial performance and cashflows for the year then ended; and
- have been properly prepared in accordance with Standard Condition 55 and the Company's accounting policies.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

27 July 2010

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010

	Note	**2010 £000**	2009 £000
Turnover	*3*	**11**	-
Gross profit		**11**	-
Distribution costs		**(18)**	-
Administrative expenses		**(33)**	-
Loss on ordinary activities before interest and taxation	*4*	**(40)**	-
Interest payable	*6*	**(17)**	-
Loss on ordinary activities before taxation		**(57)**	-
Tax credit on loss on ordinary activities	*7*	**16**	-
Loss for the financial year	*13*	**(41)**	-

All results are derived from continuing operations in the current 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.

BALANCE SHEET
AS AT 31 MARCH 2010

	Note	2010 £000	2009 £000
Fixed assets			
Tangible assets	8	**1,273**	-
Current assets			
Debtors	9	**2,881**	-
Cash at bank and in hand		**1,175**	-
		4,056	-
Creditors: amounts falling due within one year	10	**(5,341)**	-
Net current liabilities		**(1,285)**	-
Total assets less current liabilities		**(12)**	-
Provisions for liabilities	11	**(29)**	-
Net liabilities		**(41)**	-
Capital and reserves			
Called up share capital	12	**-**	-
Profit and loss account	13	**(41)**	-
Shareholder's deficit	13	**(41)**	-

The regulatory accounts on pages 14 to 22 were approved by the Board of Directors on 27 July 2010 and were signed on its behalf by:

T Kusterer
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £000	2009 £000
Net cash outflow from operating activities	*15*	**(2,535)**	-
Returns on investments and servicing of finance			
Interest paid		**(17)**	-
		(17)	-
Taxation			
Corporation tax paid		-	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(7,959)**	-
Receipts of customer contributions		**6,686**	-
		(1,273)	-
Net cash flow before management of liquid resources and financing		**(3,825)**	-
Financing			
Increase in short term borrowings		**5,000**	-
Increase in cash for the year		**1,175**	-

Reconciliation of net cash flow to movement in net debt		
Increase in cash for the year	**1,175**	-
Increase in short term borrowings	**(5,000)**	-
Change in net debt resulting from cash flows	**(3,825)**	-
Net debt at 1 April	-	-
Net debt at 31 March	**(3,825)**	-

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 EDF Energy plc which prepares consolidated accounts under IFRS that comply with requirements of IFRS 7 'Financial Instruments: Disclosures' which is equivalent to 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 instalments. 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 8.

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 supplied to customers between the date of the last meter reading and the year end.

4. Loss on ordinary activities before interest and taxation

The Company incurred a loss before interest and tax of £40k (2009: £nil).

The Company had no employees in 2010 or 2009.

Amounts payable to Deloitte LLP and their associates by the Company in respect of audit services were £5,000 (2009: £nil). A further charge of £5,000 (2009: £nil) related to non-audit services relating to certification of the regulated accounts. Auditors' remuneration was borne by another group company.

5. Directors' emoluments

All Directors are employees of EDF Energy plc and did not receive any remuneration for services to the Company during the year or the preceding year.

6. Interest payable and similar charges

	2010 £000	2009 £000
Interest payable on loans from other Group companies	17	-
	17	-

7. Tax on loss on ordinary activities

(a) Analysis of tax charge in the year:

UK current tax	**2010 £000**	2009 £000
UK corporation tax credit on loss for the year	(45)	-
Total current tax credit for the year (note (b))	(45)	-
UK deferred tax		
Origination and reversal of timing differences	29	-
Total deferred tax charge for the year	29	-
Total tax credit on loss on ordinary activities	(16)	-

(b) Factors affecting tax charge for the year:

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

The differences are explained below.

	2010 £000	2009 £000
Loss on ordinary activities before tax	(57)	-
Tax on loss on ordinary activities at standard UK rate of corporation tax of 28.0% (2009: 28.0%)	(16)	-
Effect of:		
Capital allowances in excess of depreciation	(29)	-
Current tax credit for the year	(45)	-

8. Tangible fixed assets

	Network Assets	Non Network IT	Customers' Contributions	**Total**
	£000	£000	£000	**£000**
Cost				
At 1 April 2009	-	-	-	-
Additions	6,967	992	(6,686)	**1,273**
At 31 March 2010	**6,967**	**992**	**(6,686)**	**1,273**
Depreciation				
At 1 April 2009 and at 31 March 2010	-	-	-	-
Net book value				
At 31 March 2010	**6,967**	**992**	**(6,686)**	**1,273**
At 31 March 2009	-	-	-	-

Included within tangible assets as at 31 March 2010 are unenergised parts of the network still under construction amounting to £3.3m (2010: £nil).

9. Debtors

	2010	2009
	£000	£000
Trade debtors	**7**	-
Amounts owed from Group undertakings	**2,829**	-
Corporation tax (Group relief receivable)	**45**	
	2,881	-

10. Creditors: amounts falling due within one year

	2010	2009
	£000	£000
Borrrowings	**5,000**	-
Amounts due to Group undertakings	**298**	
Trade creditors	**3**	
Accruals and deferred income	**40**	-
	5,341	-

The borrowings are drawn under a £10m unsecured Revolving Credit Facility extended by the Company's intermediate parent EDF Energy plc at the one month LIBOR plus a margin of 2%.

NOTES TO THE ACCOUNTS continued

11. Provisions for liabilities

The movements in provisions during the current year are as follows:

	At 1 April 2009 £000	Arising during the year £000	**At 31 March 2010 £000**
Deferred tax	-	29	**29**
	-	**29**	**29**

Deferred taxation provided in the financial statements is as follows:

	2010 £000	2009 £000
Accelerated capital allowances	**29**	-
Provision for deferred tax (above)	**29**	-

12. Share capital

Authorised

	2010 Number	2009 Number	**2010 £**	2009 £
Ordinary shares of £1 each	**1,000**	1,000	**1,000**	1,000

Allotted, called up and fully paid

	2010 Number	2009 Number	**2010 £**	2009 £
Ordinary shares of £1 each	**1**	1	**1**	1

13. Reconciliation of shareholder's funds

	Share Capital	Profit and loss account	**Total Shareholder's funds**
	£000	£000	**£000**
At 1 April 2008 and at 31 March 2009	-	-	-
Loss for the year	-	(41)	**(41)**
At 31 March 2010	**-**	**(41)**	**(41)**

14. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £1.3m (2009: £nil).

15. Notes to the cash flow statement

	2010	2009
	£000	£000
Reconciliation of operating loss to net cash outflow from operating activities		
Operating loss	**(40)**	-
Increase in debtors	**(2,836)**	-
Increase in creditors	**341**	-
Net cash outflow from operating activities	**(2,535)**	-

16. Related parties

As part of the EDF Group, the Company engages in transactions with other Group companies in the normal course of business.

Charges were received from other Group entities (principally EDF Energy (Networks) Limited) in respect of costs incurred on the Company's behalf. These were for personnel and administration costs, capital expenditure (net of customer contributions), metering services, loan interest, etc, and amounted to £4.1m for the year ended 31 March 2010 (2009: £nil).

Balances owed to other Group entities amounted to £5.3m (2009: £nil). Balances due from other Group entities amounted to £2.8m (2009: £nil).

17. Parent undertaking and controlling party

EDF Energy (IDNO Finance) Limited holds a 100% interest in EDF Energy (IDNO) Limited and is considered to be the immediate parent company. EDF Energy plc heads the smallest group for which consolidated accounts are prepared. Copies of that company's consolidated financial statements are available from 40 Grosvenor Place, Victoria, London SW1X 7EN.

At 31 March 2010, EDF SA, a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated accounts are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.