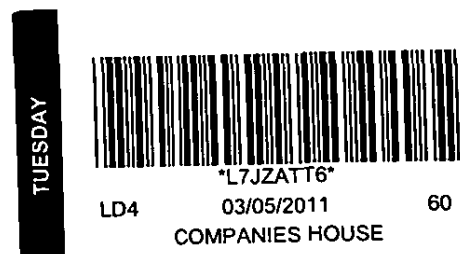


**UK POWER NETWORKS SERVICES (DEVELOPMENT) LIMITED  
(Formerly EDF ENERGY (DEVELOPMENT) PLC)**

**Registered Number 3189877**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2010**



**CONTENTS**

---

**Page:**

<b>2</b>	<b>Directors' report</b>
<b>4</b>	<b>Statement of Directors' responsibilities</b>
<b>5</b>	<b>Independent Auditor report</b>
<b>6</b>	<b>Profit and loss account</b>
<b>6</b>	<b>Balance sheet</b>
<b>7</b>	<b>Notes to the financial statements</b>

---

**Directors**

Andrew John Hunter  
Neil Douglas McGee  
Basil Scarsella

**Company Secretary**

Christopher Baker

**Auditor**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

**Registered Office**

Newington House  
237 Southwark Bridge Road  
London  
SE1 6NP

## DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 December 2010

### Principal activity and review of the business

The Company's principal activity during the year continued to be that of an investment holding company. It will continue in this activity for the foreseeable future.

The Company's principal subsidiary undertakings are listed in note 6.

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

### Change of name

On 25 August 2010 the Company re-registered as a private company, changing its name from EDF Energy (Development) plc to EDF Energy (Development) Limited. On 1 November 2010, subsequent to the acquisition, the Company changed its name to UK Power Networks Services (Development) Limited.

### Results and dividends

The profit for the year after taxation amounted to £9,000,000 (2009: £nil). Dividends of £10,500,000 were paid in the current year (2009: £nil).

The UK Power Networks group ("the Group") manages its operations on a business segment basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the business segments including this Company is discussed in the Group's Annual Report which does not form part of this Report.

### Future developments

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

### Directors

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

Joe Souto	(resigned on 29 October 2010)
Thomas Kusterer	(resigned on 29 October 2010)
Laurent Ferrari	(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)

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 which were made during the year and remain in force at the date of this report.

## **DIRECTORS' REPORT Continued**

### **Financial risk management**

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the only financial risks the Directors consider relevant to this Company are credit risk and liquidity risk. These risks are mitigated by the nature of the debtor balances owed, with these due from other Group companies who are able to repay these if required.

### **Going concern**

The Company has considerable financial resources and no external debt and therefore has adequate resources to continue for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

### **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 have expressed their willingness to continue in office as Auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by -



B Scarsella  
Director  
26 April 2011

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit and loss of the Company for the year. In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF UK POWER NETWORKS SERVICES (DEVELOPMENT) LIMITED**

We have audited the financial statements of UK Power Networks Services (Development) Limited (formerly known as EDF Energy (Development) plc) for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements 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 financial statements.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



**Makhan Chahal (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, UK

26 April 2011

UK POWER NETWORKS SERVICES (DEVELOPMENT) LIMITED  
(FORMERLY EDF ENERGY (DEVELOPMENT) PLC)  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2010

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2010**


	<i>Note</i>	<b>2010 £000</b>	2009 £000
Income from fixed asset investments	4	9,000	-
<b>Profit on ordinary activities before taxation</b>		<b>9,000</b>	-
Tax on profit on ordinary activities	5	-	-
<b>Profit for the financial year</b>		<b>9,000</b>	-

There were no recognised gains or losses in either year other than the profit for that year. Accordingly no statement of total recognised gains and losses has been presented.

**BALANCE SHEET  
AT 31 DECEMBER 2010**

	<i>Note</i>	<b>2010 £000</b>	2009 £000
<b>Fixed assets</b>			
Investment in subsidiary undertakings	6	10,010	10,010
<b>Current assets</b>			
Cash		192	-
Debtors	7	909,987	918,986
<b>Total current assets</b>		<b>910,179</b>	918,986
<b>Creditors: amounts falling due within one year</b>	8	-	(7,307)
<b>Net current assets</b>		<b>910,179</b>	911,679
<b>Net assets</b>		<b>920,189</b>	921,689
<b>Capital and reserves</b>			
Called up share capital	9	969	969
Share premium	11	918,249	918,249
Profit and loss account	11	971	2,471
<b>Shareholder's funds</b>	11	<b>920,189</b>	921,689

The financial statements of UK Power Networks Services (Development) Limited, registered number 3189877, on pages 6 to 11 were approved by the Board of Directors on 26 April 2011 and were signed on its behalf by



B Scarsella  
Director

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

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

#### Basis of preparation

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

#### Going concern

The Company has considerable financial resources and no external debt and therefore has adequate resources to continue for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

#### Cash flow statement

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of a group, headed by UK Power Networks Holdings Limited, whose consolidated financial statements include a cash flow statement and are publicly available.

#### Consolidation

The Company is exempt from preparing consolidated accounts as it is a wholly owned subsidiary of UK Power Networks Holdings Limited, which prepares consolidated accounts which include the results of the Company and will be publicly available.

#### Investments

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

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS Continued

### 2 Auditors' remuneration

In 2010 an amount of £5,000 (2009 £5,000) was payable to Deloitte LLP for the audit of the Company's statutory financial statements. Auditors' remuneration was borne in both years by another Group company.

### 3 Directors' emoluments and employee information

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

The Company employed no staff in either year.

### 4. Income from fixed asset investments

	2010 £000	2009 £000
Dividends from subsidiary undertakings	9,000	-

### 5. Tax on profit on ordinary activities

#### (a) Analysis of tax in the year

	2010 £000	2009 £000
<b>UK current tax</b>		
UK corporation tax charge on profit for the year	-	-
<b>Total current tax (note (b))</b>	-	-

#### (b) Factors affecting tax 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
Profit on ordinary activities before tax	9,000	-
Tax on profit on ordinary activities at standard UK rate of corporation tax of 28%	2,520	-
Effect of Dividends received from UK companies	(2,520)	
<b>Current tax for the year</b>	-	-

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No2) Act 2010 included legislation to reduce the main stream rate of corporation tax from 28% to 27% from 1 April 2011. This has had no impact on the results for the period.

Additional changes were announced in the March 2011 Budget Statement to further reduce the main stream rate of corporation tax to 26% from 1 April 2011 and thereafter by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS Continued**

**6 Fixed asset investments**

	Shares at cost
Investment in subsidiary undertakings	£000
At 1 January and at 31 December 2010	<b>10,010</b>

The principal subsidiary undertakings at 31 December 2010, which are incorporated in Great Britain and are registered and operate in England and Wales, are as follows

	Percentage of ordinary shares held	Principal activity
<b>Directly held subsidiaries</b>		
UK Power Networks Services (Asset Management) Limited	100%	Investment company
Lea Valley Utilities Limited	100%	Asset Management
UK Power Networks (IDNO Finance) Limited	100%	Finance company
<b>Owned directly by UK Power Networks Services (Asset Management) Limited</b>		
*UK Power Networks Services (Powerlink Holdings) Limited	100%	Investment company
*UK Power Networks (South Eastern Services) Limited	100%	Property management
*UK Power Networks Services (Commercial) Limited	100%	Electrical contracting
<b>Owned directly by UK Power Networks Services (Powerlink Holdings) Limited</b>		
*UK Power Networks Services Powerlink Limited	80%	Asset management
<b>Owned directly by UK Power Networks Services (IDNO Finance) Limited</b>		
*UK Power Networks (IDNO) Limited	100%	Electricity distribution

\*Indirectly held by UK Power Networks Services (Development) Limited

The joint ventures at 31 December 2010, which are incorporated in Great Britain and are registered and operate in England and Wales, are as follows

	Percentage of ordinary shares held	Principal activity
*MUJV Limited	50%	Construction and engineering contractor
*Power Asset Development Company Limited	50%	Asset management

\*Indirectly held by UK Power Networks Services (Development) Limited

**NOTES TO THE FINANCIAL STATEMENTS Continued**

**6 Fixed asset investments continued**

The Company has given power of attorney to EDF Energy plc and thereby relinquished its rights as shareholder in the following companies

	<b>Percentage of ordinary shares held</b>	<b>Principal activity</b>
EDF Energy (Metro Holdings) Limited	100%	Investment Company
Trans4m Limited	25%	Asset management

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

	<b>2010</b>	2009
	<b>£000</b>	£000
Amounts due from Group Undertakings	<b>909,987</b>	918,986

The Directors consider the amount from other Group companies to be recoverable. At 31 December 2010, the Company has no intention of requesting repayment.

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

	<b>2010</b>	2009
	<b>£000</b>	£000
Bank overdraft	-	7,307

**9 Share capital**

Authorised	<b>2010</b>	2009	<b>2010</b>	2009
	<b>Number</b>	Number	<b>£000</b>	£000
Ordinary shares of £1 each	<b>1,000,000</b>	1,000,000	<b>1,000</b>	1,000

Allotted, called up and fully paid	<b>2010</b>	2009	<b>2010</b>	2009
	<b>Number</b>	Number	<b>£000</b>	£000
Ordinary shares of £1 each	<b>969,169</b>	969,169	<b>969</b>	969

**NOTES TO THE FINANCIAL STATEMENTS Continued**

**10. Dividends paid**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Ordinary dividends on equity shares - £10 834 (2009 £nil) per ordinary share	<b>10,500</b>	-
	-	-

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

	Called up share capital £000	Share premium £000	Profit and Loss Account £000	Total £000
At 1 January 2009	969	918,249	2,471	<b>921,689</b>
Results for the year	-	-	-	-
At 31 December 2009	969	918,249	2,471	<b>921,689</b>
Profit for the year	-	-	9,000	<b>9,000</b>
Dividend Paid	-	-	(10,500)	<b>(10,500)</b>
<b>At 31 December 2010</b>	<b>969</b>	<b>918,249</b>	<b>971</b>	<b>920,189</b>

**12 Related parties**

In accordance with FRS 8 'Related party disclosures', the Company is exempt from disclosing transactions with entities that are part of the Group or investees of the Group qualifying as related parties, as it is a wholly owned subsidiary of a parent, which prepares consolidated accounts which are publicly available

**13 Parent undertaking and controlling party**

UK Power Networks Services (South East) Limited holds a 100% interest in UK Power Networks Services (Development) 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 results of 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