

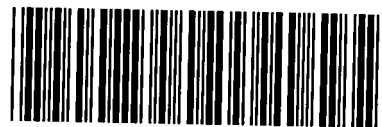
UK Power Networks Services (Development) Limited

Registered Number 3189877

Annual Report and Financial Statements

for the period from 1 January 2014 to 30 December 2014

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**UK POWER NETWORKS SERVICES (DEVELOPMENT) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
30 DECEMBER 2014**

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COMPANY INFORMATION

Directors Andrew John Hunter
Basil Scarsella
Loi Shun Chan

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

STRATEGIC REPORT

UK Power Networks Services (Development) Limited (the "Company") is an investment holding company. The Company's principal subsidiary undertakings are listed in note 6.

Change of year end

The company has changed its accounting reference period end and as a result these financial statements cover the period 1 January 2014 to 30 December 2014. The comparative period covers the period 1 January 2013 to 31 December 2013. Comparisons against prior year performance have not been adjusted as it is considered that the financial impact of shortening the accounting period by one day is not material.

Review of the business

The profit for the period, before taxation, amounted to £50,000,000 (2013: £30,000,000) and after taxation, to £50,000,000 (2013: £30,000,000). Dividends of £50,000,000 (2013: £30,000,000) were paid in the period.

The Company is part of the UK Power Networks Services group ("the Group") which manages its operations on a business segment basis. 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.

Principal risks and uncertainties

Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the Directors consider credit risk in respect of amounts due from Group undertakings to be the key financial risk. This risk is mitigated by the strong financial standing of the Group debtors and managed through the Group's embedded risk awareness culture and framework to understand and manage significant business risks. The Group operates a risk and control self-assessment regime that helps in monitoring, anticipating and responding to business risks by checking, challenging and monitoring the progress of the business in managing its risks. This provides a higher level of risk management assurance for members of the Group as well as increasing the certainty of achieving strategic goals. The Group's annual report includes further details of its principal risks and risk management activities.

Future developments

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

Going Concern

The Company has considerable financial resources and no external debt and therefore the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

STRATEGIC REPORT continued

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'B Scarsella', written over a dotted line.

B Scarsella
Director
19 May 2015
Newington House
237 Southwark Bridge Road
London
SE1 6NP

DIRECTORS' REPORT

The Directors present their annual report and financial statements for the period ended 30 December 2014.

Directors

The directors who held office during the period and subsequently were as follows:

Andrew John Hunter

Basil Scarsella

Loi Shun Chan

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

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

Political contributions

The Company made no political contributions in either period.

Disclosure of information to Auditor

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

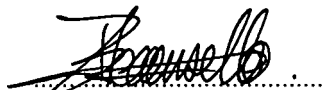
- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's 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.

Reappointment of auditors

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

19 May 2015

Newington House

237 Southwark Bridge Road

London

SE1 6NP

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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'S REPORT TO THE MEMBERS OF UK POWER NETWORKS SERVICES (DEVELOPMENT) LIMITED

We have audited the financial statements of UK Power Networks Services (Development) Limited for the period from 1 January 2014 to 30 December 2014, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 12. 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 Statement of Directors' Responsibilities (set out on page 5), 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 (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 December 2014 and of its profit for the period 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

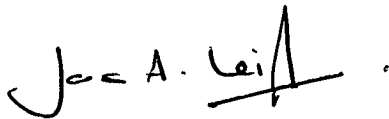
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

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.



.....
James Leigh FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
2 New Street Square
London
EC4A 3BZ
19 May 2015

UK POWER NETWORKS SERVICES (DEVELOPMENT) LIMITED
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30 DECEMBER 2014

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 DECEMBER 2014

		1 January 2014 to 30 December 2014 £000	Year ended 31 December 2013 £000
	Note		
Income from fixed asset investments	4	<u>50,000</u>	<u>30,000</u>
Profit on ordinary activities before taxation		50,000	30,000
Tax on profit on ordinary activities	5	<u>-</u>	<u>-</u>
Profit for the financial period	10	<u>50,000</u>	<u>30,000</u>

All results are derived from continuing operations in both the current period and preceding year.

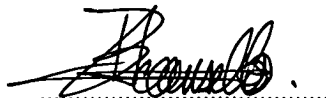
The Company has no recognised gains or losses for the period other than the results above, and therefore no statement of total recognised gains and losses has been prepared.

UK POWER NETWORKS SERVICES (DEVELOPMENT) LIMITED
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**BALANCE SHEET
AT 30 DECEMBER 2014**

	Note	30 December 2014 £000	31 December 2013 £000
Fixed assets			
Investments	6	10,010	10,010
		<u>10,010</u>	<u>10,010</u>
Current assets			
Debtors falling due within one year	7	909,987	909,987
Cash at bank and in hand		41	41
		<u>910,028</u>	<u>910,028</u>
Net assets		<u>920,038</u>	<u>920,038</u>
Capital and reserves			
Called up share capital	8	969	969
Share premium reserve	10	918,249	918,249
Profit and loss account	10	820	820
Shareholders' funds		<u>920,038</u>	<u>920,038</u>

The financial statements of UK Power Networks Services (Development) Limited, registered number 3189877, were approved by the Board of Directors and authorised for issue on 19 May 2015.
They were signed on its behalf by:



B Scarsella
Director

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

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

Basis of preparation

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

Going concern

As discussed in the Strategic Report the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Exemption from preparing a 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 accounts 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.

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)

1 Accounting policies (continued)

Investments

Fixed asset investments are shown at cost less provision for impairment. Income received from fixed asset investments is recognised on an accrual basis.

2 Auditor's remuneration

Amounts payable to Deloitte LLP were £5,600 (2013: £5,400) in respect of audit services and £nil (2013: £nil) in respect of non audit services. Auditor's remuneration was borne in both periods by another Group company.

3 Directors' remuneration and employee information

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

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

4 Income from fixed asset investments

	1 January 2014 to 30 December 2014 £000	Year ended 31 December 2013 £000
Dividends from subsidiary undertakings	50,000	30,000
	<u>50,000</u>	<u>30,000</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Taxation

Tax on profit on ordinary activities

	1 January 2014 to 30 December 2014 £000	Year ended 31 December 2013 £000
Current tax		
UK Corporation tax	-	-
Total current tax	-	-

Factors affecting current tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are reconciled below.

	1 January 2014 to 30 December 2014 £000	Year ended 31 December 2013 £000
Profit on ordinary activities before tax	50,000	30,000
Corporation tax at standard rate	10,750	6,975
Non-taxable income	(10,750)	(6,975)
Total current tax	-	-

Tax rate changes

A tax rate change from 23% to 21% effective from 1 April 2014 and a further reduction to 20% from 1 April 2015 were substantively enacted in 2013. The average rate of corporation tax applied in 2014 was 21.5% (2013: 23.25%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Investments held as fixed assets

	30 December 2014 £ 000	31 December 2013 £ 000
Shares in group undertakings and participating interests	<u>10,010</u>	<u>10,010</u>

Details of undertakings

The principal subsidiary undertakings at 30 December 2014, which are incorporated in Great Britain and are registered and operate in England and Wales, are as follows:

	Principal Activity	Percentage of ordinary shares held
UK Power Networks Services (Asset Management) Limited	Investment company	100%
*UK Power Networks Services (Powerlink Holdings) Limited	Investment company	100%
*UK Power Networks Services (Commercial) Limited	Electrical contracting	100%
*UK Power Networks Services Powerlink Limited	Asset management	80%

* Indirectly held subsidiaries

The joint ventures at 30 December 2014, which are incorporated in Great Britain and are registered and operated within England and Wales, are as follows:

	Principal Activity	Percentage of ordinary shares held
* MUJV Limited	Construction and engineering contractor	49.9%
* Power Asset Development Company Limited	Asset management	50%

* Indirectly held joint ventures

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Debtors

	30 December 2014 £000	31 December 2013 £000
Amounts falling due within one year		
Amounts owed by group undertakings	<u>909,987</u>	<u>909,987</u>

The Directors consider the amount from other Group companies to be recoverable. The Company currently has no intention of requesting repayment.

8 Share capital

Allotted, called up and fully paid

	30 December 2014 Number	31 December 2013 Number	30 December 2014 £000	31 December 2013 £000
Ordinary shares of £1 each	<u>969,169</u>	<u>969,169</u>	<u>969</u>	<u>969</u>

9 Dividends paid

	1 January 2014 to 30 December 2014 £000	Year ended 31 December 2013 £000
Ordinary dividends on equity shares - £51.591 (2013: £30.954) per ordinary share	<u>50,000</u>	<u>30,000</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Reserves

	Share Capital £000	Share premium account £000	Profit and loss account £000	Total Share holder's funds £000
At 1 January 2013	969	918,249	820	920,038
Profit for the year	-	-	30,000	30,000
Dividends	-	-	(30,000)	(30,000)
At 1 January 2014	969	918,249	820	920,038
Profit for the period	-	-	50,000	50,000
Dividends	-	-	(50,000)	(50,000)
At 30 December 2014	969	918,249	820	920,038

11 Related party transactions

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 prepared consolidated accounts which are publicly available.

12 Control

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	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.