

Registered Number 03271981

ElectraLink Limited  
**Annual Report and Financial Statements**

31 December 2008





ElectraLink

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# PROFESSIONAL ADVISERS AND STATUTORY INFORMATION

## Registered Office

ElectraLink Limited  
Ground Floor, Grafton House  
2-3 Golden Square  
London, W1F 9HR

Company Registration Number 3271981

## Bankers

HSBC  
60 Queen Victoria Street  
London, EC4N 4TR

## Solicitors

Osborne Clarke  
2 Temple Back East  
Temple Quay  
Bristol, BS1 6EG

## Auditors

Deloitte LLP  
Chartered Accountants and Registered Auditors,  
London

# DIRECTORS AND OFFICERS

## Directors

S. Burrows  
H. Jones  
K. D. Lee

Non Executive Director  
Non Executive Director  
Non Executive Director  
and Chairman

T. McEntee  
D. Mutton  
A. Woods FCMA

Non Executive Director  
Executive Director  
Non Executive Director

## Officers

D. Mutton  
P. Gath  
B. O'Shea

Chief Executive  
Chief Technical Officer  
Chief Financial Officer  
and Company Secretary

I. Rose



Business Development Director

# CHAIRMAN'S REPORT

I am pleased to be able to report another year in which ElectraLink has achieved its aims of delivering excellent service and value for all of our customers and of sound business performance for our shareholders. These are firm foundations from which to build the business.

The board devotes considerable attention to helping to plan the company's future. In the past year we have renewed and updated hardware, software and telecommunications that support our data services to ensure that we can continue to deliver the highest standards for both existing and prospective services. We have also continued to adapt our organisation to preserve the very best of what we have whilst equipping the business to grow into complementary business areas.

Despite what has been a very successful year for ElectraLink, it would be a strange Chairman's review



**ONE VERY  
POSITIVE  
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OF DEBT**

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that failed to acknowledge that it has been a year with a tough global economy and that the immediate outlook remains challenging for companies, individuals and governments alike. Unlike many financial and trading concerns who need to value their position based on volatile markets, ElectraLink benefits from being a company that delivers tangible services and receives agreed revenues in return; we can confidently measure what we have done and can count what we have received for doing it. However, we recognise that the company must be ready to deal with external uncertainties.

The Board has continued to be rigorous in ensuring risks are reviewed regularly and that appropriate mitigations are identified and are capable of timely implementation as required. One very positive outcome of our risk management, given the current credit crisis, is that the company is entirely free of debt. Further, because

ElectraLink is in the business of providing services and solutions which aim to save our customers' money, we are hopeful that the prevailing universal pressure to cut costs will provide opportunities for our business.

I am very pleased to report that in 2008 we were able to pay dividends of £800,080, sharing the success of the company over recent years whilst maintaining sufficient reserves to meet all currently anticipated commitments.

Once again may I thank, on behalf of the Board, our shareholders for their support in 2008 and our executives and staff for their efforts in yet another year of excellent operational and financial results.

**Kevin Lee**  
Chairman

# CHIEF EXECUTIVE'S REPORT

In 2008, we again maintained our high standards of delivering excellent performance on all our services to our customers in the UK electricity and gas markets. Every month we report our performance against the service levels in our contracts, giving clear and unambiguous evidence of our excellence in delivery.

The results achieved in our annual Customer Satisfaction Survey, carried out on our behalf by an independent market research consultancy, showed a very high level of customer satisfaction across all our services and reported that ElectraLink is more highly rated than all similar service providers which operate in the gas and electricity industries. These excellent results are a tribute to the team of dedicated professionals whose job it is to provide the day to day services to our customers; and to the staff of EDS who provide the Data Transfer Network infrastructure.

The Data Transfer Service continued to perform well and a large part of the technology refresh programme has been carried out as planned through the year, without any interruption to the operational service. We have continued to add new tools and features to this service for the benefit of our customers.

As part of our continuing compliance with the DTS Charging Principles, we reduced DTS Charges by 10% on 1st January 2008 to reflect the benefits from signing the contract extension with EDS, and our own cost saving efforts. ElectraLink has continued to grow its commercial revenue from both technology-based services and governance and market support services in utilities. Our current commercial contract base provides the company with a valuable income and profit stream as well as giving us a platform from which to expand both our service portfolio and presence in our core markets. Commercial revenues for 2008 are 27% up on the prior year with commercial profit before taxation growing by 14%.

Our most notable contract successes in 2008 were winning a long term extension of one of our governance services contracts; and providing an automatic file copying service to a number of customers. We have built on the success of our existing contracts, signing up new users for our services and securing extensions of long running contracts

While we have been successful in growing our commercial revenues incrementally over the last five years, in 2008 we carried out a full review of how to continue this success into the future. As a result of this review, we have appointed a Business Development Director and agreed a new Strategic Plan for the company. The Government's announcement at the end of 2008 on its plans for smart meters, will give us a good platform to generate new business in support of our existing customers.

During the year, we published a White Paper on smart metering market operation and followed this with an industry event in December. These have positioned us at the heart of the industry debate and we are now seeing a groundswell in support of our thinking. This paper had a significant influence on the industry's thinking about how best to introduce smart meters.

Our plans for 2009 are to continue to deliver excellent, cost effective services to our increasing number of clients in the UK utilities market; and to seek out new opportunities for developing the business, particularly around the introduction of smart meters.

**Dave Mutton**  
Chief Executive

THE  
DIRECTORS  
PRESENT  
THEIR ANNUAL  
REPORT AND  
THE AUDITED  
FINANCIAL  
STATEMENTS  
FOR THE YEAR  
ENDED 31  
DECEMBER  
2008

**Principal activity**

The principal activity of the company is the provision of the Data Transfer Service (“DTS”), which underpins the effective and efficient exchange of business critical data between electricity supply, distribution, meter agents and the balancing and settlement code company in the UK domestic electricity supply market.

The company also provides data transfer services to customers in the wider electricity and gas markets in support of their DUoS, gas metering, Review of Electricity Metering Arrangements (“REMA”), Notification of Old Supplier Information (“NOSI”) and Review of Gas Metering Arrangements (“RGMA”) activities. The company has diversified its technology service portfolio to encompass website design and delivery.

ElectraLink also provides a full range of administration and secretariat support services to code governance bodies in both the gas and electricity market. Our end-to-end service includes the management of and interaction with external service providers and external stakeholders, the operation of robust industry change mechanisms, the maintenance of industry agreements as well as corporate management of the respective governance companies.

**Review of operations and future work**

The company has ended the year in a strong financial position with sufficient net assets and liquid resources available to meet all our anticipated trading and operational commitments for the coming year. Revenues show a 17% increase on the prior year with profits also better than 2007.

# DIRECTORS' REPORT

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In 2008 ElectraLink continued to deliver sector leading service excellence and this has provided us with a sound foundation on which to build our commercial services portfolio. This growth in our commercial activities is reflected in our increased revenue and profit performance compared to 2007. The company is committed to paying a meaningful level of dividend each year. As part of our annual strategic review of the company we have assessed our financial and resource requirements for the future and coupled with our strong profit performance this allowed us to pay an increased level of dividend for the year.

The DTS is provided in accordance with the DTS Charging Principles which set out the cost and investment recovery arrangements for that service. Revenues and profits from our commercial technology and governance support services were better than the prior year and also better than the profit targets set within the company. During the year the company won new contracts in the utility market for existing technology services and expanded our portfolio to include services in support of industry critical processes such as the Supplier of Last Resort process. The company continues to grow its professional services and secured a long-term extension to one of our secretarial and administration governance support contracts. The company also secured a number of extensions on existing technology contracts.

The challenge for the coming year will be to continue to build upon our excellent service delivery record and increase and expand our service portfolio in the UK utilities markets, specifically in support of the planned roll out of smart metering.

## Enhanced business review

The company is exempt from preparing an enhanced business review under the Companies Act 1985, s246(4)a, as it qualifies as a small company.

## Financial Risk Management

The main financial risk faced by the company through its normal business activities is credit risk. Credit risk is the potential exposure of the company to loss in the event of non-payment by customers. The company controls customer credit risk through credit approval procedures and monitoring. The credit risk in respect of trade receivable is also mitigated by the majority of the company's customers being reputed utility companies with a high market standing.

## Directors

The directors who served throughout the year were except as noted:

M. J. Boxall	(Resigned 17 April 2008)
K. D. Lee	(Chairman)
A. Woods	FCMA
S. Burrows	
G. Pearson	(Resigned 17 April 2008)
T. McEntee	
H. Jones	(Appointed 17 April 2008)
D. Mutton	(Appointed 17 April 2008)

## Directors' interests

None of the directors who held office at 31 December 2008 had any interests in the shares of the company during the year.

## Results and dividends

The audited accounts for the year ended 31 December 2008 are set out on pages 16 to 28.

The company's profit after tax before the payment of dividend for the year ended 31 December 2008 was £904,630 (2007: £516,082).

The directors do not recommend the payment of a final dividend (2007: £nil). A 2008 interim dividend of £800,080 was declared and paid during the year (2007: £300,030).

### Statement of disclosure of information to auditors

Each of the directors at the date of approval of this 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 to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

### Auditors

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors

and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

### Corporate governance: Board statement

ElectraLink is committed to maintaining high standards of corporate governance throughout its activities. The company is a private limited company and is not subject to the corporate governance principles and practice set out in the Combined Code as incorporated in the UK Listing Authority Listing Rules. However, the Board has noted the publication of both the Higgs Report on corporate governance and the Smith Report in respect of the conduct of audit committees and has adopted those provisions which the directors consider appropriate for the Company.

### The Board

There is an effective and appropriately constituted Board which receives such information as is required properly to fulfil its duties. The Board currently comprises a Non-Executive Chairman and four Non-Executive Directors and one Executive Director who together bring a wide range of skills and experience to the Board. All directors are obliged to submit themselves for re-election at least every three years.

The Board normally meets every month and may meet on an ad hoc basis to consider matters which are time critical. The Board's principal focus is the overall strategic direction, development and operation of the company. In support of this focus, the Board approves the company's annual budget, capital expenditure proposals, business development plans, governance and compliance and

has oversight of the company's operating and financial performance. The Board is also responsible for the company's overall system of internal controls.

The Board takes the opportunity afforded by the AGM to ensure the company's operating performance and future plans are communicated to shareholders. In addition, the company's forward looking business plan is presented to shareholders at the end of each financial year and shareholders have access to monthly financial reports.

#### **Principal Board committees**

The Board has established Audit, Remuneration and Nomination committees comprising the full Board supported by members of the executive management team and professional advisers as required to ensure appropriate governance procedures and controls are applied.

The Audit Committee is chaired by the Non-Executive Chairman and its terms of reference include the review of the company's annual financial statements, accounting policies and internal management and financial controls. It also considers the appointment and fees of the external auditors and reviews the audit scope as well as the findings and management letters arising from audits. Company Officers and external auditors attend meetings at the request of the committee.

The Remuneration Committee's key role is to determine the appropriate levels of remuneration for the company's executive management team.

Directors' remuneration is set at the level appropriate to the size of the business and commensurate with the need to run the business successfully and is approved by the shareholders at the AGM.

The Nominations Committee considers arrangements for the appointment of directors and appointments of senior managers within the executive management team.

#### **Internal control**

The Board is responsible for the company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and is not an absolute assurance against material misstatement or loss.

The Board has reviewed the key business, financial, operational and compliance risks facing the company, prioritised their significance and determined current procedures and processes in place to detect and address them. The Board has also developed a mechanism for the monitoring of risk and associated controls and a company risk register is reviewed by the Board quarterly.

Approved by the Board of Directors and signed on behalf of the Board

**K.D. Lee**

**Director**

12 March 2009

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELECTRALINK LIMITED

We have audited the financial statements of ElectraLink Limited for the year ended 31 December 2008 which comprise profit and loss account, the balance sheet, the cash flow statement, and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

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

## **Respective responsibilities of directors and auditors**

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

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

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

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

We read the other information contained in the Annual Report as described in the contents section, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the chairman's report and the chief executive's report. We consider the implications

for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

#### **Basis of audit opinion**

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

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

#### **Opinion**

In our opinion:

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

#### **Deloitte LLP**

Chartered Accountants  
and Registered Auditors  
London, United Kingdom  
12 March 2009



YEAR ENDED 31 DECEMBER 2008

# PROFIT AND LOSS ACCOUNT

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	Note	2008 £	2007 £
<b>Turnover</b>	2	5,187,438	4,425,952
Cost of sales		(2,180,593)	(2,373,233)
<b>Gross profit</b>		3,006,845	2,052,719
Operating expenses		(1,924,874)	(1,549,054)
<b>Operating profit</b>		1,081,971	503,665
Interest receivable and similar income	3	200,444	212,272
<b>Profit on ordinary activities before taxation</b>	4	1,282,415	715,937
Tax on profit on ordinary activities	6	(377,785)	(199,855)
<b>Profit on ordinary activities after taxation</b>	13	904,630	516,082

The company's results are all derived from continuing activities. There are no recognised gains or losses in either year other than the profit for each year and as such no separate statement of recognised gains and losses is presented.



YEAR ENDED 31 DECEMBER 2008

# BALANCE SHEET

	Note	2008 £	2007 £
<b>Fixed assets</b>			
Tangible assets	8	1,520,540	1,280,926
<b>Current assets</b>			
Debtors	9	1,102,880	751,760
Investments	10	3,378,286	4,316,997
Cash at bank and in hand		209,678	186,846
		4,690,844	5,255,603
<b>Creditors: amounts falling due within one year</b>	11	(1,302,613)	(1,732,308)
<b>Net current assets</b>		3,388,231	3,523,295
<b>Total assets less current liabilities</b>		4,908,771	4,804,221
<b>Net assets</b>		4,908,771	4,804,221
<b>Capital and reserves</b>			
Called up share capital	12	1,000	1,000
Profit and loss account		4,907,771	4,803,221
<b>Equity shareholders' funds</b>	13	4,907,771	4,803,221

These financial statements were approved by the Board of Directors on 12 March 2009.  
Signed on behalf of the Board of Directors

**K.D. Lee, Director**



YEAR ENDED 31 DECEMBER 2008

# CASH FLOW STATEMENT

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	Note	2008 £	2007 £
<b>Net cash inflow from operating activities</b>	14(a)	663,865	1,390,721
<b>Returns on investments and servicing of finance</b>			
Interest received		217,995	187,282
Taxation paid		(188,875)	(201,577)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(508,754)	(30,495)
<b>Equity dividends paid</b>		(1,100,110)	(300,000)
<b>Cash inflow before management of liquid resources and financing</b>		(915,879)	1,045,931
<b>Management of liquid resources</b>			
Decrease / (Increase) in short-term investments	14(b)	938,711	(947,043)
<b>Increase in cash</b>	14(c)	22,832	98,888



YEAR ENDED 31 DECEMBER 2008

# NOTES TO THE ACCOUNTS

## 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards.

A summary of the principal accounting policies is set out below, all of which have been applied consistently throughout the year and the preceding year.

### Basis of accounting

The accounts have been prepared under the historical cost convention.

### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

<b>DTS asset</b>	over life of service contract
Leasehold improvements	over life of lease
Fixtures and fittings	three years
Computer equipment	three years

### Turnover

Turnover represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

### Cost of sales

Cost of sales represents amounts payable for services received from external network service providers on an accruals basis.

### Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### Finance costs

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.



YEAR ENDED 31 DECEMBER 2008

# NOTES TO THE ACCOUNTS

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## Recognition of profits and losses

The accounts have been prepared on the basis of revenues and costs incurred in the year, which are considered to reflect the services provided in the year.

## Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

## Leases

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

## 2. Segment reporting

The company's turnover is derived from the delivery of data transfer services, other technology services and the provision of administration and secretarial support services to the electricity and gas companies and is 100% earned in the UK.

## 3. Interest receivable and similar income

	2008 £	2007 £
Interest receivable	200,444	212,272

The interest receivable is generated from short term deposits.



YEAR ENDED 31 DECEMBER 2008

# NOTES TO THE ACCOUNTS

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## 4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	<b>2008</b> £	<b>2007</b> £
<b>Depreciation of tangible fixed assets</b>	269,140	457,452
Operating lease rentals		
• plant and machinery	2,427	3,035
• property rental	187,979	76,227
<b>Auditors' remuneration</b>		
• audit fees-fees payable to the company's auditors for the company's annual accounts	36,130	32,550
• non-audit fees - tax services	4,950	6,600
	<hr/>	<hr/>

## 5. Staff costs

Employee costs (excluding directors' costs) during the year amounted to:

	<b>2008</b> £	<b>2007</b> £
Wages and salaries	765,319	707,855
Social security costs	86,503	80,654
Pension costs	56,931	19,080
	<hr/>	<hr/>
	908,753	807,589

The company operates a group personal pension scheme, contributions from the company to which are solely on the basis of salary sacrifices elected by employees. This is accounted for as a defined contribution scheme under FRS 17. The pension cost charged for the year and prior year are disclosed above. There was no outstanding balance at year end (2007: £nil).

The average number of persons directly employed by the company during the year was as follows:

	<b>No.</b>	<b>No.</b>
Managerial, technical & administration staff	11	11
	<hr/>	<hr/>

## Directors' remuneration

The remuneration of the non executive directors was as follows:

	£	£
Directors' emoluments	96,636	56,410
	<hr/>	<hr/>

In addition, during the year the company paid a total of £ 34,500 (2007: £52,401) to third parties, including shareholder companies, for the provision of services of directors (see note 16).



YEAR ENDED 31 DECEMBER 2008

# NOTES TO THE ACCOUNTS

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## 6. Tax on profit on ordinary activities

The tax charge is based on the profit for the period.

	<b>2008</b> <b>£</b>	<b>2007</b> <b>£</b>
United Kingdom corporation tax	352,247	191,675
(Over)/Under provision in respect of prior years	(338)	(421)
<b>Total current tax</b>	<u>351,909</u>	<u>191,254</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	25,876	8,601
Total tax on profit on ordinary activities	<u>377,785</u>	<u>199,855</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	<b>£</b>	<b>£</b>
<b>Profit on ordinary activities before tax</b>	<u>1,282,415</u>	<u>715,937</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2007: 30%)	384,725	214,781
Effects of:		
Expenses not deductible for tax purposes	3,518	8,138
Capital allowances in excess of depreciation	(27,788)	(9,553)
Marginal relief	(8,208)	(21,691)
(Over) provision in respect of prior years	(338)	(421)
Current tax charge for period	<u>351,909</u>	<u>191,254</u>

## 7. Equity dividends paid and declared

	<b>2008</b> <b>£</b>	<b>2007</b> <b>£</b>
Equity shares		
2008 interim dividend declared and paid £80 (2007: £30.00) per ordinary share	<u>800,080</u>	<u>300,000</u>



YEAR ENDED 31 DECEMBER 2008

# NOTES TO THE ACCOUNTS

## 8. Tangible fixed assets

The movement in tangible fixed assets during the year was as follows:

	<b>DTS Asset</b>	<b>Leasehold improvements</b>	<b>Fixtures and fittings</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 1 January 2008	3,527,479	90,842	12,139	98,472	3,728,932
Additions	233,361	152,476	43,876	79,041	508,754
At 31 December 2008	<u>3,760,840</u>	<u>243,318</u>	<u>56,015</u>	<u>177,513</u>	<u>4,237,686</u>
<b>Depreciation</b>					
At 1 January 2008	2,257,508	90,831	11,697	87,970	2,448,006
Charge	221,160	11,905	10,973	25,102	269,140
At 31 December 2008	<u>2,478,668</u>	<u>102,736</u>	<u>22,670</u>	<u>113,072</u>	<u>2,717,146</u>
<b>Net book value</b>					
At 31 December 2008	<u>1,282,172</u>	<u>140,582</u>	<u>33,345</u>	<u>64,441</u>	<u>1,520,540</u>
At 31 December 2007	<u>1,269,971</u>	<u>11</u>	<u>442</u>	<u>10,502</u>	<u>1,280,926</u>

The DTS asset was capitalised in 2003 as an asset in the course of construction. Included within the DTS asset cost is cumulative capitalised finance costs of £189,847 charged at a fixed rate of 5.89%. During 2007 service contract relating to the DTS asset was extended until 2014. Accordingly, the net book value of the DTS asset is being depreciated over the extended useful life, from the date of the contract extension.



YEAR ENDED 31 DECEMBER 2008

# NOTES TO THE ACCOUNTS

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## 9. Debtors

	2008 £	2007 £
<b>Amounts falling due within one year:</b>		
Trade debtors	516,641	142,153
Amounts due from shareholders (note 16)	24,633	28,108
Deferred Tax	5,044	-
Other debtors	82,389	114,811
Prepayments and accrued income	474,173	433,233
	<hr/> 1,102,880	<hr/> 718,305
<b>Amounts falling due after more than one year:</b>		
Deferred tax	-	30,920
	<hr/> 1,102,880	<hr/> 749,225

### (a) Deferred tax

The movement on the deferred taxation balance is as follows:

	2008 £	2008 £	2007 £	2007 £
At 1 January		30,920		39,521
Current year movement	(25,876)		(8,601)	
Effect of reduced tax rate on opening liability	-		-	
	<hr/>		<hr/>	
Debited to the profit and loss account		(25,876)		(8,601)
		<hr/>		<hr/>
At 31 December		5,044		30,920

### (b) Analysis of deferred tax asset

The amounts provided in the accounts are as follows:

	2008 £	2007 £
Capital allowances in excess of depreciation	5,044	30,920
	<hr/>	<hr/>

## 10. Investments

Investments comprise cash deposits maturing in periods of more than 24 hours, but less than three months. All cash deposits are placed with UK banks.



YEAR ENDED 31 DECEMBER 2008

# NOTES TO THE ACCOUNTS

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## 11. Creditors: amounts falling due within one year

	<b>2008</b> £	<b>2007</b> £
Trade creditors	41,929	820,495
UK corporation tax	355,047	192,013
Other creditors	185,446	42,697
Accruals and deferred income	720,191	377,073
Dividends payable	-	300,030
	<hr/> 1,302,613	<hr/> 1,732,308

## 12. Called up share capital

	<b>2008</b> £	<b>2007</b> £
<b>Authorised:</b> 10,001 ordinary shares of 10p each	1,000	1,000
<b>Called up, allotted and fully paid:</b> 10,001 ordinary shares of 10p each	<hr/> 1,000	<hr/> 1,000

## 13. Reconciliation of movement in equity shareholders' funds

	<b>2008</b> £	<b>2007</b> £
Profit after tax for the financial year	904,630	516,082
Dividends	(800,080)	(300,030)
	<hr/>	<hr/>
Retained profit for the year	104,550	216,052
Opening shareholders' funds	4,804,221	4,588,169
	<hr/>	<hr/>
Closing shareholders' funds	4,908,771	4,804,221



YEAR ENDED 31 DECEMBER 2008

# NOTES TO THE ACCOUNTS

## 14. Cash flow information

### (a) Reconciliation of operating profit to net cash inflow from operating activities

	<b>2008</b> £	<b>2007</b> £
Operating profit	1,081,971	503,665
Depreciation charges	269,140	457,452
(Increase) / decrease in debtors	(394,546)	(208,685)
(Decrease) / increase in creditors	(292,700)	638,289
	<hr/>	<hr/>
Net cash inflow from operating activities	663,865	1,390,721
	<hr/>	<hr/>

### (b) Reconciliation of net cash flow to movement in net funds

	<b>2008</b> £	<b>2007</b> £
Increase in cash in the year	22,832	98,888
(Decrease) / increase in current asset investments	(938,711)	947,043
	<hr/>	<hr/>
(Decrease) / increase in net funds	(915,879)	1,045,931
Net funds at 1 January	4,503,843	3,457,912
	<hr/>	<hr/>
Net funds at 31 December	3,587,964	4,503,843
	<hr/>	<hr/>

### (c) Analysis of changes in net funds

	<b>1 January</b> <b>2008</b> £	<b>Cash flows</b> £	<b>31 December</b> <b>2008</b> £
Cash at bank and in hand	186,846	22,832	209,678
Current asset investments	4,316,997	(938,711)	3,378,286
	<hr/>	<hr/>	<hr/>
Total	4,503,843	(915,879)	3,587,964
	<hr/>	<hr/>	<hr/>



YEAR ENDED 31 DECEMBER 2008

# NOTES TO THE ACCOUNTS

## 15. Financial commitments

At 31 December 2008, the company had annual commitments under non-cancellable operating leases as follows:

	2008 Plant and equipment	2008 Other	2007 Plant and equipment	2007 Other
<b>Expiry date</b>				
- less than one year	-	-	-	65,300
- between two and five years	2,427	-	3,035	-
- thereafter	-	131,329	-	131,129
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## 16. Related party transactions and controlling parties

The company is owned by the 14 electricity distribution licence holder companies in England, Scotland and Wales with a distribution services area specified in their licence, each of whom own less than 10% of the share capital.

The company provides data transfer and governance services to its shareholders and to other parties.

Year end balances due from each of its shareholders are as follows (note 9):

<b>Balance at :</b>	<b>31 December 2008 £</b>	<b>31 December 2007 £</b>
EDF Energy Networks (EPN) plc	4,640	4,861
Central Networks East plc	1,863	1,925
Scottish Hydro Electric Power Distribution Ltd	78	60
EDF Energy Networks (LPN) plc	90	-
SP Manweb plc	104	124
Central Networks West plc	3,343	3,274
Northern Electric Distribution plc	1,696	3,026
Electricity North West Limited	1,806	1,469
EDF Energy Networks (SPN) plc	206	238
Southern Electric Power Distribution plc	3,068	3,141
SP Distribution Ltd	3,017	6,079
Western Power Distribution (South Wales) plc	1,559	1,570
Western Power Distribution (South West) plc	1,724	1,469
Yorkshire Electricity Distribution plc	1,438	3,407
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	24,632	30,643
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YEAR ENDED 31 DECEMBER 2008

# NOTES TO THE ACCOUNTS

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Trading with shareholders throughout the year was undertaken in the normal course of business, with all charges made on the same basis as other users of the same services. The aggregate value of turnover to shareholders was £324,634 (2007: £342,217).

Fees, including reimbursement of expenses paid to third parties in respect of directors' services:

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Central Network East plc	19,000	15,000
Northern Electric Distribution plc	15,500	18,500
SP Distribution Ltd	-	18,901
	<hr/>	<hr/>
	34,500	52,401
	<hr/>	<hr/>







ElectraLink

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