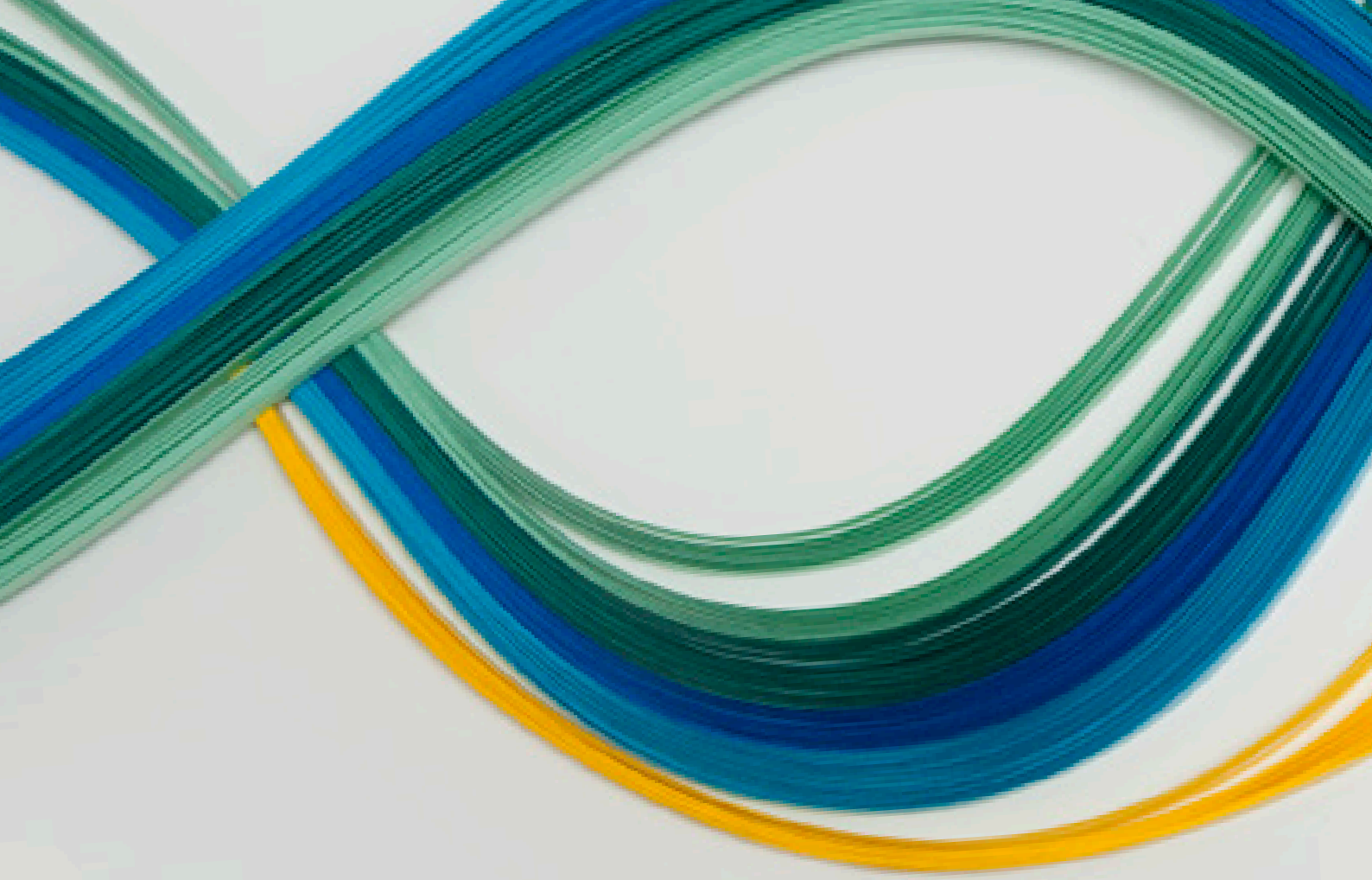
ElectraLink

ElectraLink Limited

REPORT & FINANCIAL STATEMENTS

31 DECEMBER 2011

Registered Number 03271981



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Who's Who

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISORS

Directors

K D Lee	Non Executive Director and Chairman
R Hey	Non Executive Director
H Jones	Non Executive Director
T McEntee	Non Executive Director
D Mutton	Non Executive Director
S Lacey	Executive Director

Officers

S Lacey	Chief Executive
B O'Shea	Chief Financial Officer and Company Secretary
P Gath	Chief Technical Officer
G Jones	Business Development Director

Registered office

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

Bankers

HSBC
60 Queen Victoria Street
London
EC4N 4TR

Solicitors

Marshall Haines
351 Norton Way South
Letchworth
Hertfordshire
SG6 1SZ

Herbert Smith LLP
Exchange House
Primrose Street
London
EC2A 2HS

Auditor

Deloitte LLP
London

Kevin Lee

CHAIRMAN'S REPORT

I am pleased to report on a year when the Board and Staff of ElectraLink has been working hard to help shape new data services for the energy industry and when our existing data transfer services have performed excellently and maintained our industry leading standards of customer satisfaction throughout the completion of a complex technology refresh programme which has increased both the speed of transfer and the range of services available across our network.

Equally, in our first full year under our new Chief Executive, Stuart Lacey, we have made significant progress in focusing and developing our commercial activities in support of electricity and gas companies' requirements for data management and governance.

The company remains committed to being the service provider of choice for electricity and gas data transfer as we enter the world of Smart metering and Smart networks. We have invested heavily on behalf of our users, working with the Department of Energy and Climate Change ("DECC") and many other agencies on the Smart Meter Implementation Programme ("SMIP"), to develop business processes, governance arrangements and technical solutions for 'Smart' data. We have a unique set of assets in this field, independent assessment having confirmed the capabilities and favourable economics of enhancing our Data Transfer Network to provide Smart transfer services for both gas and electricity and showing the relatively straightforward changes to licences and agreements needed were ElectraLink to assume this extended role. The Board judges that the efforts the company has made in helping to guide developments in 2011 will already have saved our users many times that investment over the coming years and, if ElectraLink is consequently selected to provide price controlled data transfer services in support of the new Data Communications Company ("DCC"), we will be positioned to deliver a reliable, resilient and secure service with the economic benefits of not having to

're-invent the wheel' and the lower implementation risk this implies. From a financial perspective, 2011 was a year of investment in the future of the Data Transfer Service ("DTS"). Whilst our 'business as usual' costs of operating the DTS have been held below budget and inflation, ElectraLink has needed to invest close to a half a million pounds to analyse and respond to the requirements of the Smart data transfer service requirements and their consequences for the DTS have been gradually unfolding. The company has funded this work from reserves and, whilst falling as a charge to company profits in 2011, it is aiming to recover these costs under the DTS pricing formula in future years.

In contrast, our commercial profits for the year have increased substantially relative to 2010. In part this reflects increasing industry interest in data services generally and with the progressive crystallisation of plans for Smart following decision-making by key regulatory and political bodies. It also reflects our success in enlarging our business in Governance Services. At the bottom line of ElectraLink's Profit and Loss Account, the success in our commercial business has substantially offset the charge to our profits of having to fund DTS developments and additional expenditure relating to impending industry change within the year, resulting in a post-tax loss of £119,658k. ElectraLink has a comprehensive plan for further development of our commercial activities in 2012 and beyond.

Despite our substantial investment to prepare the company to benefit from increased demand for energy data services, the company's balance sheet remains strong enough to support our anticipated further growth. Accordingly, I am very pleased to report that in 2011 we were able to pay dividends of £350,035, in line with our historic practice.

May I also thank once again, on behalf of the Board, our shareholders for their support in 2011 and our executives and staff for their efforts in yet another year of excellent operational results and business progress.

Kevin Lee
Chairman

The company remains committed to being the service provider of choice for electricity and gas data transfer as we enter the world of Smart metering and Smart networks.

Stuart Lacey

CHIEF EXECUTIVE'S REPORT

It is with great pleasure that I can report on ElectraLink's progress over the last 12 months. 2011 was my first year as the Chief Executive of ElectraLink and we have witnessed during this period an acceleration of the industry changes that I outlined in my 2010 report.

In particular the formation by the Department of Energy and Climate Change ("DECC") of the Smart Meter Implementation Programme ("SMIP") in March was a significant step towards the mass deployment of smart meters across Great Britian ("GB").

The deployment of smart meters over the next eight years will create an explosion of data which will need to be captured, analysed and distributed across the market to drive cost reduction and changes in consumer behaviour. During 2011 ElectraLink successfully deployed the capability to examine and analyse the energy market data crossing the company's network. We are now in a strong position to develop our data services business to support suppliers and distributors of energy in the UK as they evolve their business models to the new smart operating environment.

During 2011 ElectraLink continued to deliver service excellence for our customers in the electricity and gas markets measured against our contracted service levels. Furthermore the results achieved in ElectraLink's annual Customer Satisfaction Survey, carried out on our behalf by an independent market research consultancy, again showed very high levels of customer satisfaction, ranking ElectraLink at the top of the energy market central bodies on this measure. These excellent results are a tribute to the dedicated ElectraLink team and our strategic suppliers.

ElectraLink ended 2011 in a strong financial position with aggregate cash at bank and cash investments of £3.4m (2010:£3.5m). Following a year of investment in 2010, in 2011 ElectraLink's commercial business performed well with revenue growth (after elimination of cross charges) of 34%. The sales order value of all of the commercial contracts secured by ElectraLink during 2011 was £3.3m (2010: £0.7m).

This strong performance in our commercial business was offset by additional expenditure relating to industry transformation which was incurred by the company's regulated Data Transfer Service ('DTS'). These additional expenditures pushed the company into a small 2.6% net loss before tax (2010: 7.4% profit). However, on a business as usual basis the DTS performed ahead of budget during

2011 and we expect to recover these additional costs under the DTS Charging Principles during 2012, subject to Ofgem approval.

Looking forward into 2012 we see a number of opportunities to grow sustainably ElectraLink's business. The DTS has been selected as the provider of data transfer services to the Green Deal which will be launched by DECC later in 2012. ElectraLink is working with the SMIP to provide regulated cost effective industry connectivity solutions for the Data and Communications Company ("DCC").

The growth of ElectraLink's commercial business is underpinned by its ongoing investment in data infrastructure and governance capabilities extending the company's service reach from its owners, the electricity distribution network operators ("DNOs"), across the whole of the electricity and large parts of the gas markets. ElectraLink will be seeking to leverage this unique set of assets to create in 2012 commercial data and governance based services that add real value to the UK energy industry.

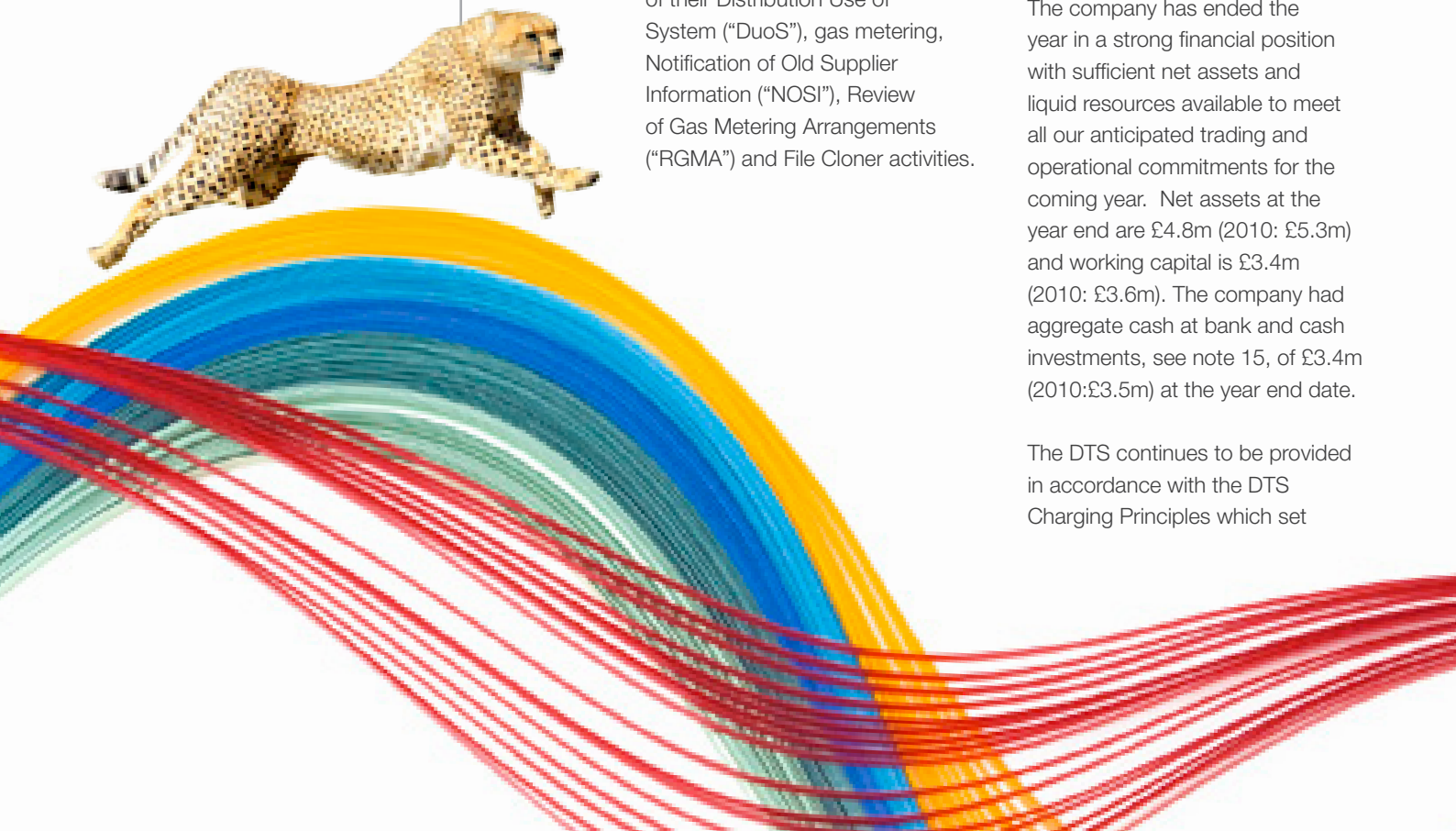
Stuart Lacey
Chief Executive

ElectraLink ended 2011 in a strong financial position with aggregate cash at bank and cash investments of £3.4m.

ElectraLink Limited

DIRECTORS REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2011. The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.



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 management services to customers in the wider electricity and gas markets in support of their Distribution Use of System ("DuoS"), gas metering, Notification of Old Supplier Information ("NOSI"), Review of Gas Metering Arrangements ("RGMA") and File Cloner activities.

The company has diversified its technology service portfolio to encompass website design and delivery in addition to continuing to provide sector leading secretarial, administrative and financial management services in support of governance arrangements in both the electricity and gas markets. The company also provides professional services in support of its technology service portfolio.

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. Net assets at the year end are £4.8m (2010: £5.3m) and working capital is £3.4m (2010: £3.6m). The company had aggregate cash at bank and cash investments, see note 15, of £3.4m (2010:£3.5m) at the year end date.

The DTS continues to be provided in accordance with the DTS Charging Principles which set

out the cost pass-through and investment recovery arrangements for that service. Any accelerated or delayed investment recovery in one year is a timing item reversed in the subsequent year through a "k factor" adjustment to the pricing, thus impacting profits in that subsequent year.

2011 was a transitional year for the energy industry within Great Britain, reflecting the mobilisation of the Department of Energy and Climate Control ("DECC") Smart Meter Implementation Programme ("SMIP") tasked with implementing the arrangements to give effect to the roll out of smart meters for the all domestic customers. ElectraLink, in its central industry roll, was required to support this programme and the net loss for 2011 reflects the impact of these additional operating expenses (refer note 3) incurred in relation to specific SMIP-related industry and business initiatives, detailed as follows:

- Costs incurred in association with the DECC SMIP requirements for industry to provide resources to the Smart Metering Implementation Program, comprising internal and external resources;

- Costs incurred in association with the evaluation of the technical, legal and regulatory requirements for ElectraLink to perform the data transfer services under the requirements of Smart Metering; and

- Costs associated with the evaluation of the technical and legal requirements associated with the provision of data services to the industry within the DTS and associated legal framework, the Data Transfer Service Agreement.

These additional costs are expected to be recovered under the DTS Charging Principles during 2012, subject to Ofgem approval.

On a business as usual basis, the DTS performed ahead of budgeted expectation for the 2011 year, however the company generated a 2.6% (2010: 7.4% profit) net loss before tax return on sales. This loss is entirely due to the impact of the additional costs detailed above. Revenues and profits from our commercial technology and governance support services continue to perform strongly and the DTS loss was partly offset by the strong performance of the commercial business unit .

In 2011 ElectraLink continued to deliver sector leading service excellence and coupled with our ongoing marketing activities in the year this has provided us with a sound foundation on which to build our commercial services portfolio. During 2011 the company continued to invest in strengthening its market position, through contribution to and participation in industry initiatives as well as increasing our internal delivery and development resource.

Through our market position and development of alliances and partnering arrangements, ElectraLink is recognised as a thought leader on the development of the UK smart metering rollout.

During the year the company appointed a new Business Development Director to focus upon the development of the commercial business unit service offering. The company won new contracts for technology services and secured long-term extensions on a number of key contracts including a central support service to the electricity governance arrangements. The sales order value of all new and reviewed contracts secured in

2011 was £3.3m (2010: £0.7m). 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 the development of centralised data services capability, partnering in low carbon network fund initiatives, as well as capitalising on technology and governance opportunities which will arise out of the planned roll out of smart metering.

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 reputable utility companies with a high market standing.

Directors

The directors who served throughout the year were:

K D Lee (Chairman)
T McEntee
H Jones
D Mutton
R Hey
S Lacey

Results and dividends

The audited accounts for the year ended 31 December 2011 are set out on pages 18 to 34.

The company's loss after tax for the year ended 31 December 2011 was £119,658 (2010: £308,562 profit).

The directors do not recommend the payment of a final dividend (2010: £nil). A 2011 interim dividend of £350,035 was declared and paid during the year (2010: £350,035).

Statement of disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

This information 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.

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 UK Corporate Governance Code ("Code") as incorporated in the UK Listing Authority Listing Rules. However, the Board has adopted those provisions in the Code on corporate

governance and in respect of the conduct of audit committees 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 are provided regular updates on key strategic matters throughout the year.

Principal Board committees

The Board has established Audit, Remuneration and Nomination committees comprising the Non Executive Directors only 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. The fees for non audit services provided

by the auditors are reviewed and agreed by the Board. 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.

Going concern

The company's business activities, together with factors likely to affect its future development, performance and position are set out in this report, the Chairman's report and the Chief Executive's report. These reports also outline the company's financial position, liquidity position and financial risk management risks.

The company has considerable financial resources, no borrowings and, due to the nature of its core business, a secure revenue stream. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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

K D Lee
Director
15 March 2012

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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 with reasonable accuracy at any time the financial position of the company and to 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 ELECTRALINK LIMITED

We have audited the financial statements of ElectraLink Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 18. 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 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 (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of 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 Directors',

Chairman's and Chief Executive Officer's reports to identify any material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss 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 matters prescribed in the Companies Act 2006

In our opinion the information 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;
- the directors were not entitled to take advantage of the small companies exemptions in preparing the directors' report; or
- we have not received all the information and explanations we require for our audit.

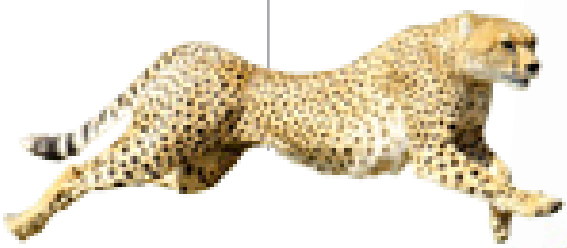
Dean Cook MA FCA
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants
and Statutory Auditor
London, United Kingdom
15 March 2012

Year ended 31 December 2011

PROFIT & LOSS

	Notes	2011 £	2010 £
Turnover	2	6,344,502	5,640,506
Cost of sales		(3,073,023)	(2,833,818)
Gross profit		3,271,479	2,806,688
Operating expenses	3	(3,463,565)	(2,426,880)
Operating (loss)/ profit		(192,086)	379,808
Interest receivable and similar income	4	27,754	39,315
(Loss)/ profit on ordinary activities before taxation	5	(164,332)	419,123
Tax credit/(charge) on loss/ profit on ordinary activities	7	44,674	(110,561)
(Loss)/ profit on ordinary activities after taxation	14	(119,658)	308,562

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 2011

BALANCE SHEET

	Notes	2011 £	2010 £
Fixed assets			
Tangible assets	9	1,434,654	1,734,318
Current assets			
Debtor: amounts falling due within one year	10	1,312,268	1,123,046
Debtors: amounts falling due after one year	10	7,702	12,023
Investments	11	2,796,840	3,027,374
Cash at bank and in hand		600,435	425,169
		4,717,245	4,587,612
Creditors: amounts falling due within one year	12	(1,323,350)	(1,023,688)
Net current assets		3,393,895	3,563,924
Total assets less current liabilities		4,828,549	5,298,242
Net assets		4,828,549	5,298,242
Capital and reserves			
Called up share capital	13	1,000	1,000
Profit and loss account	14	4,827,549	5,297,242
Equity shareholders' funds	18	4,828,549	5,298,242

The financial statements of ElectraLink Limited, registered number 03271981 were approved by the Board of Directors on 15 March 2012. **Signed on behalf of the board of directors:** K.D. Lee, Director

Year ended 31 December 2011

CASH FLOW STATEMENT

	Notes	2011 £	2010 £
Net cash inflow from operating activities	15(a)	622,208	943,875
Returns on investments and servicing of finance			
Interest received		28,693	39,437
Taxation paid		(107,381)	(280,020)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(248,753)	(432,536)
Equity dividends paid		(350,035)	(350,035)
Cash outflow before management of liquid resources and financing		(55,268)	(79,279)
Management of liquid resources			
Decrease/(increase) in short-term investments	15(b)	230,534	(10,917)
Increase/(decrease) in cash	15(c)	175,266	(90,196)

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 and in accordance with the Companies Act 2006 and applicable United Kingdom law and accounting standards.

Going concern

The financial statements have been prepared on the going concern basis for the reasons set out in the Directors' Report.

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:

DTS asset	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.

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 Operating expenses

Operating expenses for the year included the following:

	2011 £	2010 £
Smart Metering Implementation Program	182,483	-
Regulated DTN environment	281,341	-
Data services proof of concept	145,448	-
	609,272	-
Less: internal recharge of commercial staff	(154,166)	-
	455,106	-

As discussed in the Directors' Report, additional operating expenses have been incurred in the current year, outside the normal course of business. The costs are set out above and comprise: expenses associated with provision of resources to the Department of Energy and Climate Change in support of the Smart Metering Implementation Program project; costs incurred in the evaluation of the technical, legal and regulatory requirements for ElectraLink to perform the data transfer functions within the Smart Metering framework; and costs associated with the proof of concept evaluation and technical and legal requirements associated with the provision of Data Services to the industry. The internal commercial staff costs reflect the charging of non DTS staff to the DTS for services, based upon the opportunity costs of these resources. As these are an internal allocation of cost, they have been eliminated from both revenue and costs for purposes of the statutory accounts.

4 Interest receivable and similar income

	2011 £	2010 £
Interest receivable	27,754	39,315

The interest receivable is generated from short term cash deposits and late payment interest charges.

5 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging:

	2011 £	2010 £
Depreciation of tangible fixed assets	548,417	526,864
Operating lease rentals		
- plant and machinery	2,539	3,664
- property rental	131,129	131,129
Auditor's remuneration		
- audit fees - payable to the company's auditor for the company's annual accounts	40,150	38,000
- non-audit fees- payable to the company's auditors and their associates for other services to the Group	9,700	9,200

6 Staff costs

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

	2011	2010
	£	£
Wages and salaries	1,211,034	1,047,183
Social security costs	153,749	122,115
Pension costs	101,856	129,987
	1,466,639	1,299,285

The company operates a group personal pension scheme. Contributions from the employee are on the basis of salary sacrifices elected by employees supplemented by a company matched contribution. This is accounted for as a defined contribution scheme under FRS 17. The outstanding balance at year end was £7,868 (2010: £11,145), included within creditors: amounts falling due within one year (note 12).

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

	2011	2010
	£	£
Managerial, technical and administration staff	18	16

	2011	2010
	£	£
Directors' remuneration		
The remuneration of the directors was as follows:		
Director's fees	85,837	108,833

In addition, during the year the company paid a total of £37,000 (2010: £48,878) to shareholder companies for the provision of services of directors (see note 17).

7 Tax on profit on ordinary activities

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

	2011 £	2010 £
United Kingdom corporation tax	(47,617)	108,542
Over provision in respect of prior years	(1,161)	(38)
Total current tax	(48,788)	108,504
Deferred tax		
Origination and reversal of timing differences	4,114	2,057
Total tax on profit on ordinary activities	(44,674)	110,561

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:

	2011 £	2010 £
(Loss)/ profit on ordinary activities before tax	(164,332)	419,123
Tax on profit on ordinary activities at standard UK corporation tax rate of 26.5% (2010: 28%)	(43,548)	117,355
Effects of:		
Expenses not deductible for tax purposes	3,322	2,778
Depreciation in excess of capital allowances	(3,390)	5,083
Non qualifying depreciation	1,561	1,647
Marginal relief	(5,572)	(18,321)
Over provision in respect of prior years	(1,161)	(38)
Current tax (credit)/charge for period	(48,788)	108,504

8 Dividends paid and declared

	2011	2010
	£	£
Equity shares		
- 2011 interim dividend declared and paid £35 (2010: £35) per ordinary share	350,035	350,035

9 Tangible fixed assets

Cost	DTS Asset £	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
At 1 January 2011	4,725,685	177,635	59,489	157,006	5,119,815
Additions	200,938	2,770	1,062	43,983	248,753
Disposals	-	-	-	-	-
At 31 December 2011	4,926,623	180,405	60,551	200,989	5,368,568
Accumulated depreciation					
At 1 January 2011	3,185,308	45,950	51,686	102,553	3,385,497
Charge for the year	485,500	19,165	7,972	35,780	548,417
Disposals	-	-	-	-	-
At 31 December 2011	3,670,808	65,115	59,658	138,333	3,933,914
Net book value					
At 31 December 2011	1,255,815	115,290	893	62,656	1,434,654
At 31 December 2010	1,540,377	131,685	7,803	54,453	1,734,318

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%. No finance costs were capitalised in 2011 (2010: £nil). During 2007, the 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.

10 Debtors

	2011	2010
	£	£
Amounts falling due within one year:		
Trade debtors	651,463	623,021
Amounts due from shareholders (note 17)	22,995	22,009
Other debtors	16,668	7,455
Prepayments and accrued income	570,577	470,561
UK corporation tax	50,565	-
	1,312,268	1,123,046
Amounts falling due after one year:		
Other debtors	7,702	12,023

11 Investments

Investments comprise cash deposits maturing in periods of more than 24 hours, but less than three months of the balance sheet date. All cash deposits are placed with UK banks. Our investments are held in various banks, with high credit ratings.

12 Creditors: amounts falling due within one year

	2011	2010
	£	£
Trade creditors	409,784	268,950
Amounts due to shareholders (note 17)	22,200	45,985
UK corporation tax	-	105,594
Deferred tax liability	6,161	2,057
Other creditors	240,008	166,780
Accruals and deferred income	645,197	434,322
	1,323,350	1,023,688

(a) Deferred tax

The movement on the deferred taxation balance is as follows:

	2011	2010
	£	£
At 1 January	(2,057)	-
Debited to the profit and loss account	(4,104)	(2,057)
At 31 December	(6,161)	(2,057)

(b) Deferred tax

The amounts provided in the accounts are as follows:

	2011	2010
	£	£
Capital allowances in excess of depreciation	8,128	2,057
Pension Scheme	(1,967)	
At 31 December	(6,161)	(2,057)

13 Share capital

	2011	2010
	£	£
Authorised:		
10,001 ordinary shares of 10p each	1,000	1,000
Called up, allotted and fully paid:		
10,001 ordinary shares of 10p each	1,000	1,000

14 Reconciliation of movement in profit and loss account

	2011	2010
	£	£
(Loss)/ profit after tax for the financial year	(119,658)	308,562
Dividends	(350,035)	(350,035)
Retained loss for the year	(469,693)	(41,473)
Opening profit and loss account	5,297,242	5,338,715
Closing profit and loss account	4,827,549	5,297,242

15 Cash flow information

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

	2011	2010
	£	£
Operating (loss)/ profit	(192,086)	379,808
Depreciation charges	548,417	526,864
Loss on disposal of fixed assets	-	1
Increase in debtors	(135,274)	(89,312)
Increase in creditors	401,151	126,514
Net cash inflow from operating activities	622,208	943,875

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

	2011	2010
	£	£
Increase/(decrease) in cash in the year	175,266	(90,196)
(Decrease)/increase in current asset investments	(230,534)	10,917
Decrease in net funds	(55,268)	(79,279)
Net funds at 1 January	3,452,543	3,531,822
Net funds at 31 December	3,397,275	3,452,543

(c) Reconciliation of net cash flow to movement in net funds

	1 January 2011	Cash flows	31 December 2011
	£	£	£
Cash at bank and in hand	425,169	175,266	600,435
Current asset investments	3,027,374	(230,534)	2,796,840
Total	3,452,543	(55,268)	3,397,275

16 Financial commitments

At 31 December 2011, the company had annual commitments under non-cancellable operating leases as follows:

	2011		2010	
	Plant and equipment £	Other £	Plant and equipment £	Other £
Expiry date				
- between two and five years	2,637	-	3,664	-
- thereafter	-	131,129	-	131,129

17 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 10):

	2011 £	2010 £
Eastern Power Networks plc	4,500	4,750
Western Power Distribution (East Midlands) plc	1,883	1,957
Scottish Hydro Electric Power Distribution Ltd	108	96
London Power Networks plc	115	103
SP Manweb plc	171	139
Western Power Distribution (West Midlands) plc	1,652	1,838
Northern Powergrid (Northeast) Limited	2,381	1,772
Electricity North West Limited	1,783	1,723
South Eastern Power Networks plc	174	187
Southern Electric Power Distribution plc	3,395	3,306
SP Distribution Ltd	3,378	3,304
Western Power Distribution (South Wales) plc	-	513
Western Power Distribution (South West) plc	649	-
Northern Powergrid (Yorkshire) plc	2,806	2,321
	22,995	22,009

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 £337,624 (2010: £332,365).

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

	2011 £	2010 £
Western Power Distribution (East Midlands) plc	18,500	19,079
Northern Powergrid (Northeast) Limited	18,500	17,811
Eastern Power Networks plc	-	11,988
	37,000	48,878

Year end balances due to each of its shareholders are as follows (note 12):

	Balance at 31 December 2011 £	31 December 2010 £
Power Distribution (East Midlands) plc	-	22,413
Northern Powergrid (Yorkshire) plc	22,200	-
Northern Powergrid (Northeast) Limited	-	23,572
	22,200	45,985

18 Reconciliation of movement in shareholders' funds

	Equity share capital £	Profit and loss account £	Total equity shareholders' funds £
As at 1 January 2011	1,000	5,297,242	5,298,242
Net loss for the year	-	(119,658)	(119,658)
Dividend paid	-	(350,035)	(350,035)
Total	1,000	4,827,549	4,828,549

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