



UK POWER NETWORKS (SOUTH EAST SERVICES) LIMITED

Registered Number 2743900

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2013

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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 (South East Services) Limited (the "Company") provides groundworks contracting services for the electricity distribution businesses of the UK Power Networks Group (the "Group") in London and the South East of England. In addition the Company allows mobile phone operators to site their masts on land owned by the Company in return for a monthly rental fee.

Review of the business

The profit for the year before taxation, amounted to £196,000 (2012: £208,000) and after taxation, to £150,000 (2012: £157,000). No dividends were paid in the current or prior year.

During the year the Company took on the groundworks function for London Power Networks plc and South Eastern Power Networks plc which are licensed electricity distribution network operators (DNOs) of the Group serving over 4.6 million customers in the London area and in the South East of England. This service was previously contracted out to third parties but was brought in house to increase efficiencies. Staff were transferred to the Company from the third party subcontractors under a Transfer of Undertakings (Protection of Employment) ("TUPE") arrangement.

The Company's role is to excavate sites in preparation for work on the electricity distribution network, for example the replacement or repair of overhead lines or underground cables. The DNOs are charged for this service on a cost reflective basis. The performance of the distribution business, which includes this Company, is discussed in the Group's Annual Report which does not form part of this report.

Key performance indicators

The key performance indicators used by the Board of Directors in their monitoring of the Company centre on the areas of safety and operational efficiency. These include:

	Year to 31 December 2013 £000	Year to 31 December 2012 £000
Financial performance		
Revenue	7,710	307
EBITDA (note 1)	190	203
Non-financial performance		
Lost time incidents (note 2)	nil	nil

Note 1. Profit before interest, tax, depreciation and amortisation

Note 2. Injuries at work resulting in lost time of one day or more.

Financial performance indicators, represent the key financial metrics that reflect the financial health of the business. Revenue has increased by £7,403,000 in the year to £7,710,000 as a result of the introduction of the new groundworks activities. Earnings before interest, tax, depreciation and amortisation ("EBITDA") has decreased marginally by £13,000 to £190,000 in the year. The increase in revenue was offset by an increase in operating costs of £7,416,000 which predominantly relates to the employment of the new groundworks staff.

The key non-financial performance indicator relates to safety. Working with heavy equipment in the vicinity of electrical cables and installations is potentially a very dangerous activity. In order to reinforce the importance which the Group places on safety, a comprehensive safety awareness campaign has been developed for all operational staff. A lost time incident is recorded if an employee or contractor suffers an injury at work which results in lost time of one day or more. The Company is pleased to report that no lost time incidents occurred during the year.

STRATEGIC REPORT continued

Principal risks and uncertainties

As well as the opportunities the Company has to grow and develop its business, certain risks and uncertainties are faced in achieving its objectives. The Company's principal risks and uncertainties are set out below.

Health and Safety

There is a risk that a fatality or serious injury occurs involving a member of staff, a contractor, a member of the public, or a third party. Any such incident could lead to potential prosecution, a fine and have an adverse impact on the reputation of the Company.

Supply chain

Any interruption to the supply of critical materials or services could have a significant impact on the Company's ability to prepare sites for the repair, maintenance, development and reinforcement of the network.

There are a variety of mechanisms in place to minimise these risks. The Group has an embedded risk awareness culture to understand and manage significant business risks in order to increase certainty of achieving strategic goals. This leads to a high level of risk management assurance for the board of directors. The business 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.

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the Directors consider relevant to this Company are credit risk and liquidity risk.

The Company's exposure to credit and liquidity risk is reduced as it is a 100% subsidiary of the UK Power Networks Holdings Group of Companies. Credit risk is mitigated by the nature of the debtor balances owed, with these being due from other Group companies with strong financial standing. In addition, liquidity risk is mitigated by the strong financial standing of the parent company UK Power Networks Holdings Limited.

Future developments

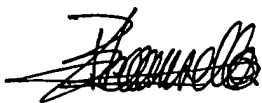
The Directors regard the results for the year and the year end financial position as satisfactory and expect the Company to continue to perform to a satisfactory level in the future.

STRATEGIC REPORT continued

Going concern

The Company has considerable financial resources and no external debt. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company has adequate resources to continue operating for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'B Scarsella', with a stylized, cursive script.

B Scarsella
Director
6 May 2014

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 December 2013.

Directors

Directors who held office during the year 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 or prior year.

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

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the engagement and involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, various media channels and publications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Political contributions

The Company made no political contributions in either year.

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.

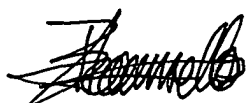
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

DIRECTORS' REPORT continued

Auditor

On 20 October 2003 the Company passed an elective resolution dispensing with the requirement to appoint an auditor annually. In accordance with s487 of the Companies Act 2006, Deloitte LLP are deemed re-appointed until such time as the members or the Directors determine otherwise.

Approved by the Board and signed on its behalf by:

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

B Scarsella
Director
6 May 2014

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 the affairs of the Company and of the profit and loss of the Company for the year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting standards have been followed 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 (SOUTH EAST SERVICES) LIMITED

We have audited the financial statements of UK Power Networks (South East Services) Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. 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, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

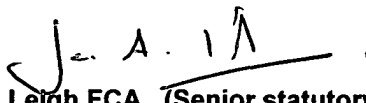
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK POWER NETWORKS (SOUTH EAST SERVICES) 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 Auditor
London, United Kingdom
6 May 2014

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<i>Note</i>	2013 £000	2012 £000
Turnover	2	7,710	307
Cost of sales		(5,676)	(10)
Gross profit		2,034	297
Distribution costs		(1,807)	-
Administrative expenses		(37)	(94)
Profit on ordinary activities before interest and taxation	3	190	203
Interest receivable and similar income	6	6	5
Profit on ordinary activities before taxation		196	208
Tax on profit on ordinary activities	7	(46)	(51)
Profit for the financial year	12	150	157


There were no recognised gains or losses in either year other than the profit for that year and accordingly a statement of total recognised gains and losses is not presented.

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

BALANCE SHEET
AT 31 DECEMBER 2013

	<i>Note</i>	2013 £000	2012 £000
Fixed assets			
Tangible assets	8	660	660
Current assets			
Debtors	9	315	4
Cash		1,671	1,381
		1,986	1,385
Creditors: amounts falling due within one year	10	(825)	(374)
Net current assets		1,161	1,011
Net assets		1,821	1,671
Capital and reserves			
Called up share capital	11	660	660
Profit and loss account	12	1,161	1,011
Shareholder's funds	12	1,821	1,671

The financial statements of UK Power Networks (South East Services) Limited, registered number 2743900, were approved by the Board of Directors and authorised for issue on 6 May 2014.
They were signed on its behalf by:



B Scarsella
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

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

The financial statements have been prepared on the going concern basis. The grounds for adopting this basis are discussed in the Strategic report.

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.

Tangible fixed assets

Freehold land is stated at cost and is not depreciated. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Turnover

Revenue is recognised on long-term leases on a straight-line basis over the lease term with reference to amounts chargeable under the lease and reported in turnover. Amounts unpaid at the year end are included in debtors.

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

Leasing

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

2. Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activity of the property management business and the groundworks contracting business.

3. Profit on ordinary activities before interest and taxation

	2013 £000	2012 £000
This is stated after charging/(crediting):		
Operating lease rental payable on land	22	22
Operating lease rentals receivable on land	(220)	(307)

Amounts payable to Deloitte LLP and their associates were £5,400 (2012: £5,250) in respect of audit services and £nil (2012: £nil) in respect of non audit services. Auditor's remuneration was borne in both years by another group company.

4. Directors' emoluments

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

5. Staff costs

	2013 £000	2012 £000
Wages and salaries	6,361	-
Social security costs	676	-
Pension costs	223	-
	7,260	-

The average monthly number of employees was:	194	-
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Employees of the Company participate in a defined contribution retirement benefit scheme operated by the Group. Members can opt for a contribution rate of between 3% to 5% of their salary with the Company making double this contribution.

NOTES TO THE FINANCIAL STATEMENTS continued

6. Interest receivable and other income

	2013 £000	2012 £000
Bank interest receivable	5	4
Group interest receivable	1	1
	6	5

7. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year:

	2013 £000	2012 £000
UK current tax		
UK corporation tax charge on profit for the year	46	51
Total current tax charge for the year (note (b))	46	51

(b) Factors affecting tax charge for the year:

	2013 £000	2012 £000
Profit on ordinary activities before tax	196	208
Tax on profit on ordinary activities at standard UK rate of corporation tax of 23.25% (2012: 24.5%)	46	51

The reduction in the tax rate from 24% to 23% effective from 1 April 2013 as announced in the March 2012 Budget and substantively enacted on 3 July 2012 resulted in an average corporation tax rate for 2013 of 23.25%. Further reductions to 21% from 1 April 2014 and to 20% from 1 April 2015 were announced in the March 2013 Budget and substantively enacted on 2 July 2013, but these had no impact on the results for the year.

8. Tangible fixed assets

The net book value of freehold land as at 31 December 2013 and 31 December 2012 is £660,000.

NOTES TO THE FINANCIAL STATEMENTS continued

9. Debtors

	2013	2012
	£000	£000
Debtors: amounts falling due within one year		
Trade debtors	19	4
Amounts owed by other group companies	296	-
	315	4

10. Creditors: amounts falling due within one year

	2013	2012
	£000	£000
Amounts owed to Group undertakings	-	2
Other taxation and social security	3	-
Corporation tax (Group payments)	31	37
Other creditors	474	222
Accruals and deferred income	317	113
	825	374

11. Share capital

Authorised				
	2013	2012	2013	2012
	Number	Number	£000	£000
Ordinary shares of £1 each	1,000,000	1,000,000	1,000	1,000
Allotted, called up and fully paid				
	2013	2012	2013	2012
	Number	Number	£000	£000
Ordinary shares of £1 each	660,000	660,000	660	660

NOTES TO THE FINANCIAL STATEMENTS continued

12. Reconciliation of shareholder's funds

	Share Capital	Profit and loss account	Total Share- holder's funds
	£000	£000	£000
At 1 January 2012	660	854	1,514
Profit for the year	-	157	157
At 31 December 2012	660	1,011	1,671
Profit for the year	-	150	150
At 31 December 2013	660	1,161	1,821

13. Financial commitments

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases as set out below:

	2013 £000	2012 £000
Operating lease on land which expires:		
In over five years	22	17

14. Related parties

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

15. Parent undertaking and controlling party

The Company is a wholly owned subsidiary of UK Power Networks Holdings Limited, a company registered in England and Wales.

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.

UK Power Networks Holdings publishes consolidated financial statements and is the largest and smallest group which consolidate the financial statements of the Company. Copies of the financial statements of UK Power Networks Holdings Limited may be obtained from the Company Secretary at Energy House, Carrier Business Park, Hazelwick Avenue, Three Bridges, Crawley, West Sussex, RH10 1EX.