

YORKSHIRE ELECTRICITY GROUP plc

Registered Number: 2366995

Registered Office: Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2008.

BUSINESS REVIEW OF THE YEAR

The Company is a subsidiary of CE Electric UK Funding Company and its sole activity is to act as a holding company in respect of its investment in Yorkshire Electricity Distribution plc ("YEDL"), the activity of which is to distribute electricity to customers in West Yorkshire, East Yorkshire and almost all of South Yorkshire, together with parts of North Yorkshire, Derbyshire, Nottinghamshire, Lincolnshire and Lancashire. Throughout the year, the company maintained its investment in YEDL.

Given that the principal activity of the Company is to act as a holding company, the business of the Company is not sufficiently large or complex for analysis of key performance indicators to be appropriate as part of the operation of the Company. Details of key performance indicators used in the CE Electric UK Funding Company group of companies (the "CE Group") can be found in the CE Electric UK Funding Company directors' report.

Going concern

The Company's business activities, together with details regarding its future development, performance and position are set out in the Business Review in this report. In addition, the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk are included in this report and the appropriate notes to the accounts.

When considering continuing to adopt the going concern basis in preparing the annual report and accounts, the directors have taken account of the fact that YEDL is a wholly-owned subsidiary of the Company. YEDL is a stable electricity distribution business operating an essential public service, is regulated by the Gas and Electricity Markets Authority ("GEMA") and, in carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance their activities. In addition, the Company has access to short-term borrowing facilities made available by other companies in the CE Group and the directors therefore consider that the Company has sufficient liquidity to meet its current requirements.

Consequently, 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 accounts.

Financial Review

Results and dividends

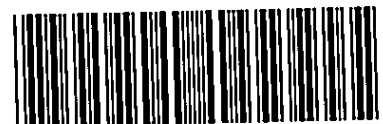
The Company made a profit after tax for the year of £42.1m. Interim dividends totalling £50.0m were paid during the year and the directors recommend that no final dividend be paid in respect of the year, leaving a loss of £7.9m to be withdrawn from reserves.

On 11 December 2008, the Company acquired 20 shares of \$1 each in the capital of Yorkshire Power Finance Limited from Yorkshire Holdings plc (in members' voluntary liquidation). Both Yorkshire Power Finance Limited and Yorkshire Holdings plc (in members' voluntary liquidation) are fellow companies in the CE Group.

Share capital

There were no changes to the Company's share capital during the year.

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YORKSHIRE ELECTRICITY GROUP plc

REGISTERED NUMBER 2366995

DIRECTORS' REPORT (CONTINUED)

Dividend policy

The Company's dividend policy is that dividends will be paid only after having due regard to available distributable reserves, available liquid funds and the financial resources and facilities needed to enable the Company to carry on its business for at least the next year.

Taxation

Full details of the Company's taxation charge are provided in Note 6 to the accounts.

Financial commentary

Profit before tax at £42.3m was £0.8m higher than the previous year. Lower finance costs (£11.7m) and other net favourable variances (£0.4m) were partly offset by lower investment income (£11.3m).

Net cash inflow from operating activities

The net cash inflow from operating activities at £45.4m was £3.8m higher than the previous year mainly due to a net decrease in interest costs (£3.1m) and an increase in cash profits (£0.9m), partly offset by an increase in group relief paid (£0.2m).

Principal risks facing the Company

The principal risk facing the Company is not having sufficient liquidity to enable the Company to meet its liabilities as they fall due. In this respect, borrowing facilities are made available to the Company by other companies in the CE Group and, during the year, the Company received dividend income from its subsidiary company. Details of the principal risks and uncertainties facing the CE Group can be found in the CE Electric UK Funding Company directors' report.

Future Developments

It is the intention of the directors that the Company will continue to act as a holding company.

Consequently, 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 accounts.

DIRECTORS

The directors who served during the year and since the year end were:

G E Abel
P E Connor
J M France
P J Goodman
B K Hankel
K Linge
P A Jones

Throughout the year, none of the directors was materially interested in any contract in relation to the business of the Company.

AUDITORS

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP. A resolution to reappoint Deloitte LLP, and to authorise the directors to determine their remuneration, will be proposed at the Annual General Meeting.

YORKSHIRE ELECTRICITY GROUP plc

REGISTERED NUMBER 2366995

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Annual Report and the financial statements. The directors have elected to prepare financial statements for the Company in accordance with International Financial Reporting Standards ("IFRS"). Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

Directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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 which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDIT OF THE ACCOUNTS

Each of the directors, who is a director of the Company as at the date of this report, confirms that:

- a) so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- b) he has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

By order of the board



John Elliott
Company Secretary

17 June 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YORKSHIRE ELECTRICITY GROUP plc

We have audited the financial statements of Yorkshire Electricity Group plc for the year ended 31 December 2008 which comprise the income statement, the statement of recognised income and expense, 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 International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YORKSHIRE ELECTRICITY GROUP plc
(CONTINUED)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with those IFRSs as adopted by the European Union, 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 & Registered Auditors
Newcastle upon Tyne, England

18

June 2009

YORKSHIRE ELECTRICITY GROUP plc**REGISTERED NUMBER 2366995****INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £m	2007 £m Restated Note 2
Revenue		0.4	0.4
Administration credit		<u>0.4</u>	<u>-</u>
Operating profit		0.8	0.4
Investment income	4	52.7	64.0
Finance costs	5	<u>(11.2)</u>	<u>(22.9)</u>
Profit before tax		42.3	41.5
Income tax expense	6	<u>(0.2)</u>	<u>(0.5)</u>
Profit from ordinary activities after tax	13	<u>42.1</u>	<u>41.0</u>

All activities relate to continuing operations.

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2008

There is no other income or expense for the Company for 2008 and 2007 other than the profits reported above.

YORKSHIRE ELECTRICITY GROUP plc**REGISTERED NUMBER 2366995****BALANCE SHEET AS AT 31 DECEMBER 2008**

	Notes	2008 £m	2007 Restated Note 2 £m
Non-current assets			
Property, plant and equipment	7	0.2	0.2
Trade and other receivables	9	154.2	354.2
Investments	8	303.3	303.1
		<u>457.7</u>	<u>657.5</u>
Current assets			
Trade and other receivables	9	1.2	5.1
Cash and cash equivalents	9	9.4	5.2
		<u>10.6</u>	<u>10.3</u>
Total assets		<u>468.3</u>	<u>667.8</u>
Current Liabilities			
Trade and other payables	10	-	(0.2)
Current income tax liabilities	10	-	(0.4)
Borrowings	11	(176.3)	(367.3)
		<u>(176.3)</u>	<u>(367.9)</u>
Net current liabilities		<u>(165.7)</u>	<u>(357.6)</u>
Net assets		<u>292.0</u>	<u>299.9</u>
Equity			
Share capital	12	108.6	108.6
Share premium	13	11.1	11.1
Capital redemption reserve	13	0.1	0.1
Retained earnings	13	172.2	180.1
Total equity	13	<u>292.0</u>	<u>299.9</u>

The financial statements were approved by the board of directors and authorised for issue on 17 June 2009 and were signed on its behalf by:



K Linde
Director

YORKSHIRE ELECTRICITY GROUP plc**REGISTERED NUMBER 2366995****CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £m	2007 £m Restated Note 2
Net cash from operating activities	14	<u>45.4</u>	<u>41.6</u>
Investing activities			
Acquisition of Investment		(0.2)	-
Movement in loans to Group undertaking		<u>200.0</u>	<u>-</u>
Net cash from investing activities		<u>199.8</u>	<u>-</u>
Financing activities			
Movement in loans from Group undertaking		(191.0)	(65.4)
Equity dividends paid		<u>(50.0)</u>	<u>-</u>
Net cash used in financing activities		<u>(241.0)</u>	<u>(65.4)</u>
Net increase/(decrease) in cash and cash equivalents		4.2	(23.8)
Cash and cash equivalents at beginning of year		<u>5.2</u>	<u>29.0</u>
Cash and cash equivalents at end of year		<u>9.4</u>	<u>5.2</u>

YORKSHIRE ELECTRICITY GROUP plc

REGISTERED NUMBER 2366995

NOTES TO THE ACCOUNTS - 31 DECEMBER 2008

1 GENERAL INFORMATION

Yorkshire Electricity Group plc is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is Lloyds Court, 78 Grey Street, Newcastle-upon-Tyne, NE1 6AF.

The nature of the Company's operations and its principal activities are set out in the principal activity and review of the business in the Directors' Report.

2 ACCOUNTING POLICIES

Accounting convention and basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union (the "EU") and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Act that are applicable to companies reporting under IFRS.

The accounts have been prepared under the historical cost convention. The Company has relied upon Section 228 of the Companies Act 1985 and has presented the accounts for the Company as an individual undertaking only and not as a Group undertaking.

Going concern

The Company's business activities, together with details regarding its future development, performance and position are set out in the Business Review in the Directors' Report. In addition, the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk are included in the Directors' Report and the appropriate notes to the accounts.

When considering continuing to adopt the going concern basis in preparing the annual report and accounts, the directors have taken account of the fact that YEDL is a wholly-owned subsidiary of the Company. YEDL is a stable electricity distribution business operating an essential public service, is regulated by the Gas and Electricity Markets Authority ("GEMA") and, in carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance their activities. In addition, the Company has access to short-term borrowing facilities made available by other companies in the CE Group and the directors therefore consider that the Company has sufficient liquidity to meet its current requirements.

Consequently, 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 accounts.

Judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgements and/or estimation. These judgements and estimation are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is contained in the accounting policies and/or the notes to the financial statements.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2008 (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

Adoption of new or revised standards

At the date of authorisation of these financial statements there were a number of Standards and Interpretations in issue but not yet effective, which have not yet been applied in these financial statements. The directors consider that the following may be relevant to the Company in future periods.

IAS 1	Presentation of Financial Statements – Amendments to IAS 1
IFRS 7	Financial Instruments: Disclosures – Amendments to IFRS 7

The directors anticipate that the adoption of the amendments to IAS 1 in future periods will have no material impact on the financial statements of the Company. The amendments to IFRS 7 require enhanced disclosures about fair value measurement and liquidity risk.

The IASB project “2008 Annual Amendments to IFRSs” was published on 22 May 2008. This project will require presentational changes in the financial statements of the Company for annual periods beginning on or after 1 January 2009.

The directors anticipate the Company will adopt these Standards on their effective dates.

Prior year restatement

A prior year restatement has been made in respect of the classification of amounts owed from Group undertakings with a maturity date of less than three months. Previously such balances were held within cash and cash equivalents, but have now been reclassified to borrowings for the purpose of reflecting the substance of these balances, being amounts owed to or from Group undertakings which are netted off by management for the purpose of strategic decision making. The effect of this adjustment is to decrease interest receivable and payable by £10.0m and to decrease borrowings and cash and cash equivalents in the prior year by £293.0m. The adjustment has no impact on the prior year profit. The prior year cash flow statement has been adjusted accordingly to reflect this restatement.

Revenue

Revenue, which arises wholly in the United Kingdom, relates to a minor income stream in respect of the ownership of telecommunications assets.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders’ rights to receive payment have been established.

Property, plant and equipment

Property plant and equipment are stated at cost. The charge for depreciation is calculated to write off assets to their residual values over their estimated useful economic lives of 10 years on a straight-line basis.

Investments

Investments are stated at cost less provision for any impairment in value.

Provisions

Provisions are recognised where there is a present obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2008 (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Debt

Borrowing costs are recognised on an accrual basis and allocated to the income statement as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions on the instrument.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2008 (CONTINUED)

3 DIRECTORS', KEY PERSONNEL AND AUDITORS' REMUNERATION

No directors' or key personnel remuneration was charged for the year (2007: £nil). There are no directors' emoluments that are required to be disclosed under the Companies Act 1985 (2007: £nil). There were no employees of the Company during the year (2007: nil).

Fees paid to the Company's Auditor for the audit of the Company's annual accounts of £6,000 was charged to the Company for the year (2007: £5,000).

There was no fees payable in relation to non-audit services in 2008 or 2007.

4 INVESTMENT INCOME

	2008	2007 Restated Note 2
	£m	£m
Dividends received	40.0	40.0
Interest receivable on loans to Group undertakings	11.6	21.3
Other Interest	1.1	2.7
	<u>52.7</u>	<u>64.0</u>

5 FINANCE COSTS

	2008	2007 Restated Note 2
	£m	£m
Interest payable on loans from Group undertakings	10.8	22.9
Other interest	0.4	-
	<u>11.2</u>	<u>22.9</u>

YORKSHIRE ELECTRICITY GROUP plc

REGISTERED NUMBER 2366995

NOTES TO THE ACCOUNTS - 31 DECEMBER 2008 (CONTINUED)

6 INCOME TAX EXPENSE

	2008 £m	2007 £m
Tax expense comprises:		
Current tax:		
Payment for use of Group losses for the year	0.4	0.5
Over provision for prior years	<u>(0.2)</u>	<u>-</u>
	<u>0.2</u>	<u>0.5</u>
The total charge can be reconciled to the accounting profit as follows:		
Profit before tax	<u>42.3</u>	<u>41.5</u>
Tax on profit before tax at standard rate of corporation tax in United Kingdom of 28.5% (2007: 30%)	12.1	12.5
Dividend income	(11.4)	(12.0)
Imputed interest	(0.2)	-
Over provision for prior years	<u>(0.3)</u>	<u>-</u>
Tax expense for the year	<u>0.2</u>	<u>0.5</u>

The tax rates used are the UK corporate rate of 30% until 31 March 2008 and 28% from 1 April 2008, time apportioned for 2008.

7 PROPERTY, PLANT AND EQUIPMENT

	£m
COST	
At 31 December 2007 and 31 December 2008	<u>0.3</u>
ACCUMULATED DEPRECIATION	
At 31 December 2007 and 31 December 2008	<u>0.1</u>
Net book value at 31 December 2007 and 31 December 2008	<u>0.2</u>

YORKSHIRE ELECTRICITY GROUP plc

REGISTERED NUMBER 2366995

NOTES TO THE ACCOUNTS - 31 DECEMBER 2008 (CONTINUED)

8 INVESTMENTS

	2008 £m	2007 £m
Share in subsidiary undertakings		
Cost and net book value	<u>303.3</u>	<u>303.1</u>

Details of the principal subsidiary undertaking, which is unlisted and incorporated in England and Wales and operating in the United Kingdom at 31 December 2008, are listed below.

Subsidiary	Shareholding	Proportion of voting rights and shares	Nature of Business
Yorkshire Electricity Distribution plc	290,000,000 £1 shares	100%	Distribution of electricity
Yorkshire Power Finance Limited (Registered in Cayman Islands)	20 \$ 1 shares	1%	Finance Company

9 OTHER FINANCIAL ASSETS

Trade and other receivables

	Book Value		Fair Value	
	2008 £m	2007 £m	2008 £m	2007 £m
Non current:				
Amounts owed by Group undertakings	<u>154.2</u>	<u>354.2</u>	<u>151.4</u>	<u>373.5</u>
Current:				
Amounts owed by Group undertakings	1.0	4.4	1.0	4.4
Other receivables	<u>0.2</u>	<u>0.7</u>	<u>0.2</u>	<u>0.7</u>
	<u>1.2</u>	<u>5.1</u>	<u>1.2</u>	<u>5.1</u>

The directors' estimate of the fair value is calculated by discounting the future cash flows at the market rate at the balance sheet date. The maximum risk exposure is the book value of these assets.

Cash and cash equivalents

	2008 £m	2007 Restated Note 2 £m
Short-term deposits	<u>9.4</u>	<u>5.2</u>

Cash and cash equivalents comprise cash balances and other short term deposits, having a maturity of less than three months and being subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value, calculated by discounting future cash flows at the market rate at the balance sheet date. The maximum risk exposure of these assets is their book value.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2008 (CONTINUED)**10 OTHER FINANCIAL LIABILITIES****Trade and other payables**

	2008 £m	2007 £m
Amounts owed to Group undertaking	<u>-</u>	<u>0.2</u>

Current income tax liabilities

Group relief	<u>-</u>	<u>0.4</u>
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The directors consider that the carrying amount of other financial liabilities approximates their fair value calculated by discounting the future cash flows at the market rate at the balance sheet date.

The undiscounted cash flows of financial liabilities, based on the earliest possible date on which the Company can be required to pay, amounted to £176.1m (2007: £367.5m) and were all due in less than 3 months from the balance sheet date. These amounts include both interest and principal cash flows.

11 BORROWINGS

	2008 £m	Book Value 2007 Restated Note 2 £m
Amounts owed to Group undertakings	<u>176.3</u>	<u>367.3</u>

The directors consider that the carrying amount of borrowings approximates their fair value calculated by discounting the future cash flows at the market rate at the balance sheet date.

Interest is charged at a floating rate of interest, thus exposing the Company to cash flow interest rate risk. A 1% movement in interest rates would have an approximate effect on the financial statements of the Company of £1.8m.

The loans are non-secured.

The Company has no undrawn committed borrowing facilities.

YORKSHIRE ELECTRICITY GROUP plc

REGISTERED NUMBER 2366995

NOTES TO THE ACCOUNTS - 31 DECEMBER 2008 (CONTINUED)

12 SHARE CAPITAL

	2008 £m	2007 £m
Ordinary shares of 68 2/11p each		
Authorised – 220,000,000	150.0	150.0
Allotted, called up and fully paid 159,270,954	<u>108.6</u>	<u>108.6</u>

The Company has one class of ordinary shares which carries no right to fixed income.

13 RECONCILIATION OF MOVEMENT IN RESERVES AND EQUITY SHAREHOLDERS' FUNDS

	Share Capital £m	Share Premium £m	Capital Redemption £m	Retained Earnings £m	Total Equity £m
At 1 January 2007	108.6	11.1	0.1	139.1	258.9
Profit for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>41.0</u>	<u>41.0</u>
At 31 December 2007	108.6	11.1	0.1	180.1	299.9
Profit for the year	-	-	-	42.1	42.1
Dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50.0)</u>	<u>(50.0)</u>
At 31 December 2008	<u>108.6</u>	<u>11.1</u>	<u>0.1</u>	<u>172.2</u>	<u>292.0</u>

14 NOTES TO THE CASH FLOW STATEMENT

	2008 £m	2007 £m
Operating profit	0.8	0.4
Decrease in provisions	<u>-</u>	<u>(0.1)</u>
Operating cash flows before movements in working capital	0.8	0.3
Decrease in receivables	<u>0.5</u>	<u>0.1</u>
	1.3	0.4
Dividends received	40.0	40.0
Interest received	16.1	24.7
Interest paid	(11.4)	(23.1)
Group relief paid	<u>(0.6)</u>	<u>(0.4)</u>
Net cash from operating activities	<u>45.4</u>	<u>41.6</u>

YORKSHIRE ELECTRICITY GROUP plc

REGISTERED NUMBER 2366995

NOTES TO THE ACCOUNTS - 31 DECEMBER 2008 (CONTINUED)

15 RELATED PARTY TRANSACTIONS

As referenced in Note 4, during the year the Company received ordinary dividends of £40.0m (2007: £40.0m) from YEDL.

The Company has advanced loans to companies in the CE Group. Interest is charged at a commercial rate of interest. The total interest included in investment income in the income statement for the year ended 31 December 2008 was £11.6m (2007: £21.3m). Included within trade and other receivables is £155.2m as at 31 December 2008 (2007: £358.6m) in respect of these loans.

The Company has received loans from companies in the CE Group. Interest is charged at a commercial rate of interest. The total interest included in finance costs in the income statement for the year ended 31 December 2008 was £10.8m (2007: £22.9m). Included within borrowings and trade and other payables is £176.3m as at 31 December 2008 (2007: £367.5m) in respect of these loans.

16 ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

The immediate parent undertaking of Yorkshire Electricity Group plc is Yorkshire Holdings plc. The ultimate controlling party and ultimate parent undertaking of Yorkshire Holdings plc is Berkshire Hathaway, Inc., a company incorporated in the United States of America.

Copies of the group accounts of Berkshire Hathaway, Inc. which include Yorkshire Electricity Group plc and the group accounts of CE Electric UK Funding Company, the smallest parent undertaking to prepare group accounts in the UK can both be obtained from the Company Secretary, CE Electric UK Funding Company, Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.