

NORTHERN ELECTRIC FINANCE plc

REGISTERED NUMBER 3070482

**REPORT & ACCOUNTS
TO 31 DECEMBER 2009**

NORTHERN ELECTRIC FINANCE plc

REGISTERED NUMBER 3070482

REPORT AND ACCOUNTS TO 31 DECEMBER 2009

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NORTHERN ELECTRIC FINANCE plc

Registered Number: 3070482

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

DIRECTORS' REPORT

Cautionary statement regarding forward-looking statements

This annual report has been prepared for the members of the Company only. The Company, its directors, employees or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. This annual report contains certain forward-looking statements, which can be identified by the fact that they do not relate only to historical or current facts. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, business prospects, the availability of financing to the Company and anticipated cost savings are forward-looking statements.

By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements reflect the knowledge and information available at the date of preparation of this annual report and will not be updated during the year. Nothing in this annual report should be construed as a profit forecast.

The directors present the annual report and accounts of Northern Electric Finance plc (the "Company") for the year ended 31 December 2009, which includes the business review and audited financial statements for that year. Pages 1 to 6 inclusive of this annual report comprise a directors' report that has been drawn up and presented in accordance with the Companies Act 2006.

BUSINESS REVIEW

Principal activities

The Company is a subsidiary of Northern Electric Distribution Limited ("NEDL"), part of the CE Electric UK Funding Company group of companies (the "CE Group"), and was established in August 1995 to raise finance, including the issue of long-term bonds, on behalf of the Northern Electric group of companies, which is also part of the CE Group. During the year, the Company continued to be the issuer of long-term bonds.

Given that the sole purpose of the Company is to raise finance on behalf of NEDL, its immediate parent company, the objective of the Company is to ensure that it has sufficient funds to cover its interest charges as they fall due. Details of key performance indicators used in the CE Group can be found in the Business Review in the CE Electric UK Funding Company directors' report.

Details of the key risks faced by the Company in respect of its borrowings can be found on page 2 of this directors' report and in Notes 8 and 9 to the accounts.

Financial review

Results and dividends

The Company made a loss after tax for the year of £0.1m (2008: loss £0.1m). No dividends were paid during the year and the directors recommend that no final dividend be paid in respect of the year.

Share capital

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

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.

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DIRECTORS' REPORT (CONTINUED)

Financial review (continued)

Taxation

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

Income statement commentary

The loss before tax at £0.1m was comparable with the prior year.

Net cash inflow from operating activities

The net cash inflow from operating activities was £nil. Interest payments were equal to interest receipts in the year.

Principal risks and uncertainties facing the Company

Liquidity risk

The principal risk facing the Company is not having sufficient liquidity to enable the Company to meet its liabilities as they fall due and to provide adequately for contingencies. In this respect, borrowing facilities are made available to the Company by other companies in the CE Group, if required. The Company continues to maintain its investment grade issuer credit rating.

Interest rate risk

The Company is financed by long-term borrowings at fixed rates and has access to short-term borrowing facilities at floating rates of interest. As at 31 December 2009, 100% of the Company's borrowings were at fixed rates and the average maturity for these borrowings was 20 years.

Currency risk

No material currency risks are faced by the Company.

Trading risk

Throughout the year under review, the Company's policy was that no trading in financial derivatives should be undertaken.

Financial derivatives

As at 31 December 2009 and during the year it was the Company's policy not to hold any derivative financial instruments.

Research and development

Given that the sole purpose of the Company is to raise finance on behalf of NEDL, the Company does not undertake research and development.

Future developments

The financial position of the Company, as at the year end, is shown in the balance sheet on page 10. There have been no significant events since the year end and it is the intention of the directors that the Company will continue to raise finance on behalf of the CE Group, if required, in the future.

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

G E Abel	President, MidAmerican Energy Holdings Company
P Ainsley	Financial Controller, CE Electric UK
P E Connor	Senior Vice President and Chief Procurement Officer, MidAmerican Energy Holdings Company (resigned 16 October 2009)
T E Fielden	Finance Director, CE Electric UK (appointed 16 October 2009)
P A Jones	President and Chief Operating Officer, CE Electric UK (appointed 16 October 2009)
K Linge	Finance Director, CE Electric UK (resigned 16 October 2009)

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

AUDITORS

A resolution to re-appoint Deloitte LLP as the Company's auditors and authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

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 Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk are included in the Business Review 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 a number of factors that arise due to the Company being a wholly-owned subsidiary of NEDL, including the following:

- a) NEDL is a stable electricity distribution business operating an essential public service and is regulated by the Gas and Electricity Markets Authority ("GEMA"). 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, which are the subject of obligations under Part 1 of the Electricity Act 1989 (including the obligations imposed by the electricity distribution licence) or by the Utilities Act 2000;
- b) NEDL is profitable with strong underlying cash flows resulting in low gearing and holds investment grade credit ratings; and
- c) NEDL has access to considerable financial resources, in the form of short-term borrowings made available by Yorkshire Electricity Group plc, a fellow company in the CE Group. NEDL has committed revolving credit facilities in place from Lloyds TSB Bank plc and Royal Bank of Scotland plc. Those facilities have recently been renewed and will be provided by Lloyds TSB Bank plc, Royal Bank of Scotland plc and Abbey National Treasury Services plc, part of the Banco Santander group, for a three year period.

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.

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DIRECTORS' REPORT (CONTINUED)

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 S418 of the Companies Act 2006.

Corporate Governance Statement

Section 1B.1.5R of the Disclosure and Transparency Rules ("DTR") requires an issuer, whose transferable securities are admitted to trading, to provide, in its annual directors' report, a corporate governance statement. However, DTR 1B.1.6R provides that the rules in DTR 7.2.2R, 7.2.3R and 7.2.7R do not apply to an issuer, which has not issued shares, which are admitted to trading. Accordingly, as the Company has no shares admitted to trading, it is eligible for the exemption provided by DTR 1B.1.6R.

Main features of the internal control and risk management systems

The CE Group's principal management forum with regard to corporate governance is the Compliance Assurance Steering Group ("CAPSG"). Its purpose is to ensure that CE Group companies apply and maintain appropriate arrangements to deliver sound corporate governance and comply with the overall strategy, framework and supporting policies. The CAPSG monitors and reviews the strategic risk environment, ensuring the continued suitability, adequacy and effectiveness of risk management arrangements.

The risk management framework was monitored regularly during the year to ensure that all strategic risks, including those relating to environmental and social issues, were being addressed. Risk management policies and procedures were reviewed and updated to ensure a robust and clear approach was maintained. Mr Dixon, the independent non-executive director of CE Electric UK Funding Company and NEDL, attends meetings of the CAPSG to provide an independent view in respect of the matters discussed.

The CE Group operates a structured and disciplined approach to the management of risk, as part of the overall risk management approach. Those risks assessed to be significantly high are logged within a risk register that is reviewed regularly by the CAPSG and key indicators track the number of significant risks actively monitored by the CAPSG at any one time.

Risks are assessed with due regard to probability and impact and the risk environment is reviewed continually in order that new or emerging potential risks are identified. Risk mitigation and loss control plans are prepared in response to strategic risks in order that the directors can be assured that appropriate mitigating actions are in place and being implemented. These plans are monitored through to implementation and reviewed to determine whether the level of residual, mitigated risk is within an acceptable level of tolerance.

A rigorous internal control environment exists within the CE Group based on regular reporting, a series of operational and financial policy statements, investigations undertaken by internal audit and a stringent process for ensuring the implementation of any recommendations. MidAmerican Energy Holdings Company ("MidAmerican"), a parent company of the Company, requires a quarterly control risk self-assessment to be undertaken by all senior managers as part of its programme for compliance with the requirements of the Sarbanes-Oxley Act. During the year, the CE Group completed the annual, extensive programme to review its company-wide controls and opportunities to enhance control arrangements, identified by that review, have been implemented.

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DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

Other key features of the CE Group's internal control system are:

- Comprehensive business planning and financial reporting procedures, including the annual preparation of detailed operational budgets for the year ahead and projections for subsequent years;
- Regular review of key performance indicators to assess progress towards objectives;
- A range of policies, codes of practice and more detailed instructions that define the processes to be followed;
- A strong internal audit function to provide independent scrutiny of internal control systems and risk management procedures, including the standards required by the Sarbanes-Oxley Act;
- Centralised treasury operations that operate within defined limits and are subject to regular reporting requirements and audit reviews; and
- Established procedures for planning, approving and monitoring major capital expenditure, major projects and the development of new business which includes short and long-term budgets, risk evaluation, detailed appraisal and review procedures, defined authority levels and post-investment performance reviews.

Details of other financial risks faced by the Company can be found on page 2 of the Directors' Report.

CE Electric UK Funding Company has established an audit committee for the CE Group under delegated terms of reference, which include monitoring of the financial reporting process, the effectiveness of the internal control, internal audit and risk management systems, the statutory audit of the accounts, the independence of and the provision of additional services by the statutory auditor. DTR 7 requires an audit committee to have at least one independent member and a member with competence in accounting and/or auditing, although these requirements could be satisfied by one and the same person. Given that Mr Dixon is the CE Group's sole independent non-executive director, the Audit Committee comprises

R Dixon	Non-Executive Director, CE Electric UK; and
T E Fielden	Finance Director, CE Electric UK.

The CE Group also operates under the oversight of the MidAmerican Audit Committee, which is comprised of Mr. Marc D. Hamburg who, the MidAmerican board of directors has determined, qualifies as an "audit committee financial expert," as defined by the rules of the Securities and Exchange Commission, based on his education, experience and background. The MidAmerican Audit Committee is attended, from time to time, by the Senior Vice President and Chief Financial Officer and the Vice President and Chief Accounting Officer of MidAmerican, the Director of Internal Auditing of Berkshire Hathaway, Inc. and the Heads of Internal Audit of the various MidAmerican business platforms.

By order of the board



John Elliott
Company Secretary

19 March 2010

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DIRECTORS' REPORT (CONTINUED)

RESPONSIBILITY OF DIRECTORS FOR THE PREPARATION OF THE REPORT AND ACCOUNTS

The directors are responsible for preparing the Annual Report and the financial statements and are required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union. Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 2006 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; and
- 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.

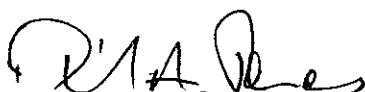
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 2006. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

Each of the directors as at the date of the Annual Report, whose names and functions are set out on page 3 of the Directors' Report confirms that, to the best of their knowledge:

- a) the Company accounts, prepared in accordance with applicable UK law and in conformity with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- b) the Management Report (which is comprised of the Director's Report and the Business Review) includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

This responsibility statement was approved by the Board of Directors on 19 March 2010 and signed on its behalf by:



P A Jones
President and Chief Operating Officer

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORTHERN ELECTRIC FINANCE PLC

We have audited the financial statements of Northern Electric Finance plc for the year ended 31 December 2009 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 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

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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

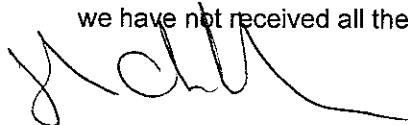
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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; or
- we have not received all the information and explanations we require for our audit.



John Charlton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne, England
23 March 2010

NORTHERN ELECTRIC FINANCE plc

REGISTERED NUMBER 3070482

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £m	2008 £m
Investment income	4	17.0	17.1
Finance costs	5	<u>(17.1)</u>	<u>(17.2)</u>
Loss before and after tax	6	<u>(0.1)</u>	<u>(0.1)</u>

All activities relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

There has been no other comprehensive income for the Company other than the losses reported above in the current or the prior year.

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital £m	Retained Reserves £m	Total Equity £m
At 1 January 2008	-	(0.5)	(0.5)
Comprehensive income for the year	-	(0.1)	(0.1)
At 31 December 2008	-	(0.6)	(0.6)
Comprehensive income for the year	-	(0.1)	(0.1)
At 31 December 2009	-	(0.7)	(0.7)

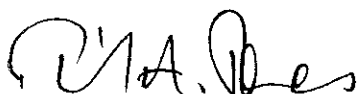
NORTHERN ELECTRIC FINANCE plc

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BALANCE SHEET AS AT 31 DECEMBER 2009

	Notes	2009 £m	2008 £m
Non-current assets			
Trade and other receivables	7	<u>247.5</u>	<u>247.5</u>
Current assets			
Trade and other receivables	7	3.5	3.5
Cash and cash equivalents	7	<u>1.7</u>	<u>1.7</u>
		<u>5.2</u>	<u>5.2</u>
Total assets		<u>252.7</u>	<u>252.7</u>
Current liabilities			
Borrowings	9	<u>(6.9)</u>	<u>(6.9)</u>
Net current liabilities		<u>(1.7)</u>	<u>(1.7)</u>
Non-current liabilities			
Borrowings	9	(246.1)	(246.0)
Deferred tax	10	<u>(0.4)</u>	<u>(0.4)</u>
		<u>(246.5)</u>	<u>(246.4)</u>
Total liabilities		<u>(253.4)</u>	<u>(253.3)</u>
Net liabilities		<u>(0.7)</u>	<u>(0.6)</u>
Equity			
Share capital	11	-	-
Retained earnings		<u>(0.7)</u>	<u>(0.6)</u>
Total deficit		<u>(0.7)</u>	<u>(0.6)</u>

The financial statements were approved by the board of directors and authorised for issue on 19 March 2010 and were signed on its behalf by:



P A Jones
Director

NORTHERN ELECTRIC FINANCE plc

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £m	2008 £m
Net cash from operating activities	12	-	0.3
Net increase in cash and cash equivalents		-	0.3
Cash and cash equivalents at beginning of year		1.7	1.4
Cash and cash equivalents at end of year		<u>1.7</u>	<u>1.7</u>

NORTHERN ELECTRIC FINANCE plc

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NOTES TO THE ACCOUNTS - 31 DECEMBER 2009

1 GENERAL INFORMATION

Northern Electric Finance plc is a company originally 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 Business Review in the directors' report on page 1.

2 ACCOUNTING POLICIES

Accounting convention and basis of preparation

The financial statements have been 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 and, therefore, comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 (the "Act") that are applicable to companies reporting under IFRS.

The accounts have been prepared under the historical cost convention.

Going Concern

The directors have, at the time of approving the financial statements, 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 financial statements. Further detail is contained within the Directors Report on page 3.

Critical accounting policies

The particular policies adopted by the directors are described below. The accounting policies have been applied consistently throughout the year and the preceding year, with the exception of interest on borrowings, as highlighted below.

Adoption of new or revised standards

In the current year, the following new and revised Standards have been adopted and have affected the amounts reported in these financial statements.

IAS 1	Presentation of Financial Statements – Amendments to IAS 1
IFRS 7	Financial Instrument Disclosure – Amendments to IFRS 7

IAS 1 has introduced a number of changes in the format of the financial statements. No third balance sheet has been presented for the Company as there have been no retrospective changes to accounting policies in the year.

The amendments to IFRS 7 expand disclosures required in respect of fair value measurement and liquidity risk. In practice these amendments have had no material impact on these financial statements.

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 therefore not yet been applied. The directors consider that the adoption of these Standards and Interpretations will not be relevant to the Company in future periods.

NORTHERN ELECTRIC FINANCE plc

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NOTES TO THE ACCOUNTS - 31 DECEMBER 2009

2 **ACCOUNTING POLICIES (CONTINUED)**

Revenue

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or asset realised, based on tax rates and tax legislation enacted or substantively enacted at the balance sheet date.

Borrowings

Borrowings are classified as other financial liabilities at amortised cost. They are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement for redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method. They are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)**2 ACCOUNTING POLICIES (CONTINUED)****Cash and cash equivalents**

Loans advanced to the parent company are included within cash and cash equivalents, having a maturity of less than three months on the basis that they are readily convertible to known amounts of cash and are subject to 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.

3 DIRECTORS', KEY PERSONNEL AND AUDITORS' REMUNERATION

No directors' or key personnel remuneration was charged for the year (2008: £nil). There are no directors' emoluments that are required to be disclosed under the Act (2008: £nil). There were no employees of the Company during the year (2008: nil).

Auditors' remuneration of £6,000 was charged to the Company for the year (2008: £6,000) in relation to the audit of the Company. There was no fees payable in relation to non-audit services in 2009 or 2008.

4 INVESTMENT INCOME

	2009 £m	2008 £m
Interest receivable on loans to Group undertakings	<u>17.0</u>	<u>17.1</u>

5 FINANCE COSTS

	2009 £m	2008 £m
Interest payable on loans from Group undertakings	0.1	0.1
Interest payable on other loans	<u>17.0</u>	<u>17.1</u>
Total finance costs	<u>17.1</u>	<u>17.2</u>

NORTHERN ELECTRIC FINANCE plc

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NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

6 INCOME TAX CHARGE

	£m	£m
The total tax charge can be reconciled to the accounting loss as follows:		
Loss on ordinary activities before tax	<u>(0.1)</u>	<u>(0.1)</u>
Tax on loss before tax at standard rate of corporation tax in United Kingdom of 28% (2008: 28.5%)	<u>-</u>	<u>-</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 OTHER FINANCIAL ASSETS

Trade and other receivables

	Book value		Fair value	
	2009 £m	2008 £m	2009 £m	2008 £m
Non-current:				
Amounts owed by Group undertakings	<u>247.5</u>	<u>247.5</u>	<u>256.7</u>	<u>246.7</u>
Current:				
Amounts owed by Group undertakings	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>	<u>3.5</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.

Loans to Group undertakings are made to Northern Electric Distribution Limited, the Company's immediate parent, and are at fixed rates of interest. The maximum exposure to risk to the Company is the book value of these loans.

Cash and cash equivalents

Cash and cash equivalents represent amounts owed from Yorkshire Electricity Group plc, a company within the CE Electric UK Funding Company group, which have a maturity date of less than three months and which are subject to an insignificant risk of changes in value. The fair value of cash and cash equivalents is equal to their book value.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

8 OTHER FINANCIAL LIABILITIES

The following tables detail the remaining contractual maturities for the non-derivative financial liabilities included in Note 9. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest possible date on which the Company can be required to pay. The tables include both interest and principal cash flows.

	Less than 3 months £m	3 months To 1 year £m	1 to 5 Years £m	5+ Years £m	Total £m
2009:					
Fixed interest rate liability	-	16.6	66.3	474.9	557.8
2008:					
Fixed interest rate liability	-	16.6	66.3	491.5	574.4

9 BORROWINGS

	Book value		Fair value	
	2009	2008	2009	2008
	£m	£m	£m	£m
The borrowings are repayable as follows:				
On demand or within one year	6.9	6.9	6.9	6.9
After five years	246.1	246.0	256.6	246.4
	<u>253.0</u>	<u>252.9</u>	<u>263.5</u>	<u>253.3</u>
Analysis of borrowings:				
2035 – 5.125%	152.7	152.6	139.9	130.6
2020 – 8.875%	100.3	100.3	123.6	122.7
	<u>253.0</u>	<u>252.9</u>	<u>263.5</u>	<u>253.3</u>

The Directors consideration of liquidity and interest rate risk are described in the Directors' Report on page 2.

The fair value of the Company's borrowings is determined with reference to quoted market prices.

All loans are at fixed interest rates and expose the Company to fair value interest rate risk.

The Company's loans are guaranteed by Northern Electric Distribution Limited, its parent company.

The covenants associated with the 2035 bonds issued by the Company include restrictions on the issuance of new indebtedness and the making of distributions dependent on the scale of the ratio of Senior Total Net Debt to Regulatory Asset Value ("RAV") of Northern Electric Distribution Limited. The definition of Senior Total Net Debt excludes any subordinated debt and any debt incurred on a non-recourse basis. In addition, it excludes interest payable, any fair value adjustments and unamortised issue costs.

All borrowings are denominated in sterling. The Company has no undrawn committed borrowing facilities.

NORTHERN ELECTRIC FINANCE plc

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NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

10 DEFERRED TAX

	£m
At 31 December 2008 and 31 December 2009	<u>0.4</u>

The balance represents deferred tax on unamortised debt issue costs.

11 SHARE CAPITAL

	2009 £	2008 £
Authorised		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid		
50,000 ordinary shares of £1 each fully paid	<u>50,000</u>	<u>50,000</u>

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

12 NET CASH FROM OPERATING ACTIVITIES

	2009 £m	2008 £m
Interest received	17.2	17.5
Interest paid	<u>(17.2)</u>	<u>(17.2)</u>
Net cash from operating activities	<u>-</u>	<u>0.3</u>

13 RELATED PARTY TRANSACTIONS

The Company has advanced loans to Northern Electric Distribution Limited, its immediate parent company. The total interest included in investment income for the year ended 31 December 2009 was £17.0m (2008: £17.1m). Included within trade and other receivables is £251.1m as at 31 December 2009 (2008: £251.0m) in respect of these loans. Included within cash and cash equivalents is £1.7m (2008: £1.7m) in respect of these loans.

The Company has received loans from other companies in the CE Electric UK Funding Company Group. The total interest included in finance costs in the income statement for the year ended 31 December 2009 was £0.1m (2008: £0.1m). Included within borrowings is £nil as at 31 December 2009 (2008: £nil) in respect of these loans.

Interest on loans to/from group companies is charged at a commercial rate.

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NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

14 IMMEDIATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking of Northern Electric Finance plc is Northern Electric Distribution Limited. The ultimate controlling party and ultimate parent undertaking of Northern Electric Distribution Limited is Berkshire Hathaway, Inc., a company incorporated in the United States of America.

Copies of the group accounts of Berkshire Hathaway, Inc., (the parent undertaking of the largest group preparing group accounts) which include Northern Electric Finance plc and the group accounts of Northern Electric plc, 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.