

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
FOR
YORKSHIRE POWER FINANCE LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2010**

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YORKSHIRE POWER FINANCE LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2010**

DIRECTORS:

G E Abel
P Ainsley
T E Fielden
P J Goodman
P A Jones

SECRETARY:

M&C Corporate Services Limited

REGISTERED OFFICE:

PO BOX 309
Ugland House
South Church Street
Georgetown
Grand Cayman

REGISTERED NUMBER:

CR 75763 (Cayman Islands)

AUDITORS:

Deloitte LLP
Newcastle upon Tyne

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER: CR 75763)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010**

The directors present the non-statutory annual report and accounts of Yorkshire Power Finance Limited (the "Company") for the year ended 31 December 2010, which includes the review of business and audited financial statements for that year. Pages 2 to 6 inclusive of this annual report comprise a report of the directors that has been drawn up and presented in line with the relevant provisions of the United Kingdom Companies Act 2006 ("the Act").

The Company is registered in the Cayman Islands and is a subsidiary of CE Electric UK Funding Company, which is incorporated in the United Kingdom. The directors have elected to prepare these non-statutory financial statements for the Company in accordance with International Financial Reporting Standards ("IFRS") and the provisions of the Act, being the national law of the Member State of the European Union in which CE Electric UK Funding Company is incorporated and which would have been applied if the financial statements were United Kingdom statutory financial statements.

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.

PRINCIPAL ACTIVITY

The Company's principal activity is to act as the issuer of long-term debt securities in order to raise finance for Yorkshire Power Group Limited, its immediate parent company, and other companies in the CE Electric UK Funding Company group (the "CE Group"), including Yorkshire Electricity Distribution plc ("YEDL"). The Company's financial instruments include borrowings and loans.

REVIEW OF BUSINESS

Given that the sole purpose of the Company is to raise finance on behalf of companies in the CE Group, the business of the Company is not sufficiently large or complex for analysis of key performance indicators to be appropriate as part of gaining an understanding of the operation of the Company. Details of key performance indicators used in the CE Group can be found in the Review of Business in the CE Electric UK Funding Company report of the directors.

Details of the key risks faced by the Company in respect of its borrowings can be found in Note 10 to the accounts.

Financial review

Results and dividends

The Company made a profit after tax for the year of £420,000 (2009: £426,000). No interim dividend was 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.

Taxation

Details of the Company's taxation charge are provided in Note 5 to the accounts.

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER: CR 75763)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010**

Income statement commentary

The profit before tax at £583,000 was broadly in line with the prior year.

Cash flow

The net cash inflow from operating activities at £469,000 was £127,000 higher than 2009, mainly reflecting lower tax payments in the year.

RESEARCH AND DEVELOPMENT

Given that the sole purpose of the Company is to raise finance on behalf of companies in the CE Group, 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 statement of financial position on page 11. 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, as required, in the future.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2010 to the date of this report.

G E Abel
P Ainsley
T E Fielden
P J Goodman
P A Jones

Other changes in directors holding office are as follows:

B K Hankel - resigned 15 March 2010

PRINCIPAL RISKS AND UNCERTAINTIES

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 2010, 100% of the Company's borrowings were at fixed rates and the average maturity for these borrowings was 18 years.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010**

CORPORATE GOVERNANCE STATEMENT

Section 1B.1.5R of the Disclosure and Transparency Rules ("DTR") in the United Kingdom 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 would be 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 Governance and Risk Management Group ("GRMG"). 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 GRMG monitors and reviews the strategic risk environment, ensuring the continued suitability, adequacy and effectiveness of risk management arrangements and reports to the CE Group's Audit Committee.

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 R Dixon, an independent non-executive director of CE Electric UK Funding Company and YEDL, attends meetings of the GRMG 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. 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. Those risks assessed to be significantly high are logged within a risk register that the GRMG reviews regularly and key indicators track the number of significant risks, which are actively monitored by the GRMG at any one time.

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 are 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.

Risk management continues to be a central theme of senior management priority setting as well as an explicit business process that helps to stimulate the senior leadership's consciousness of lower probability, high consequence threats to business success or continuity. This approach is reinforced by the approach taken by the wider MidAmerican Energy Holdings Company group, whose activities have continued to include a structured benchmarking of risk management activities across the business units, including the sharing of significant lessons learned associated with risk management.

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 3 of the Report of the Directors.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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 an independent non-executive director of CE Electric UK Funding Company and YEDL, the Audit Committee comprises

R Dixon
T E Fielden

Non-Executive Director, CE Electric UK; and
Finance Director, CE Electric UK.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the non-statutory Annual Report and the financial statements and have elected to prepare the financial statements for the Company in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and the provisions of the United Kingdom Companies Act 2006, being the national law of the Member State of the European Union in which CE Electric UK Funding Company, the Company's parent company in the United Kingdom, is incorporated and which would have been applied if the financial statements were United Kingdom statutory financial statements.

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 IFRSs.

In accordance with the Yorkshire Power Finance Limited – 7.25% £200m Bonds 2028 Trust Deed, the directors are also required to prepare accounts in such a form as will comply with all relevant legal and accounting requirements. Therefore, the directors are 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 IFRSs are 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
- Make an assessment of the company's ability to continue as a going concern.

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, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued
GOING CONCERN**

The Company's business activities, together with details regarding its future development, performance and position are set out in the Review of Business in the Report of the Directors. 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 Review of Business in the Report of the Directors 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 part of the CE Group and raising finance on behalf of YEDL, including the following:

- a) The Company is profitable with net current assets and access to cash as detailed in note 7 to the financial statements; and
- b) YEDL has considerable financial resources, in the form of short-term borrowings made available by Yorkshire Electricity Group plc, a fellow company in the CE Group, and committed revolving credit facilities from Lloyds TSB Bank plc, Royal Bank of Scotland plc and Abbey National Treasury Services plc.

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

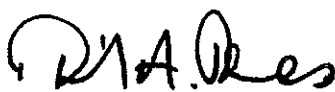
- a) so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- b) he has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that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

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Act.

AUDITORS

Deloitte LLP has indicated its willingness to continue in office.

ON BEHALF OF THE BOARD:



.....
P A Jones
Director
21 April 2011

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER: CR 75763)

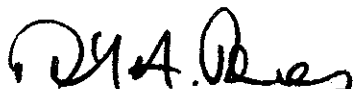
RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

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

a) the Company's accounts, prepared in accordance with applicable 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 Directors' 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 21 April 2011 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P A Jones', is written over the printed name and title below.

P A Jones
Director and President and Chief Operating Officer

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF YORKSHIRE POWER FINANCE LIMITED

We have audited the non-statutory financial statements of Yorkshire Power Finance Limited for the year ended 31 December 2010 which consist of the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 13. 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 being the national law of the Member State of the European Union in which CE Electric UK Funding Company, the Company's parent company in the United Kingdom, is incorporated. 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 a Report of the Auditor 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 set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of 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 2010 and of its profit 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, which would have applied if the financial statements were statutory financial statements.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors 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.



Deloitte LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne, England

21 April 2011

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER: CR 75763)

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £'000	2009 £'000
CONTINUING OPERATIONS			
Revenue		-	-
Administrative expenses		<u>(4)</u>	<u>(4)</u>
OPERATING LOSS		(4)	(4)
Finance costs	4	(13,498)	(13,562)
Finance income	4	<u>14,085</u>	<u>14,158</u>
PROFIT BEFORE INCOME TAX		583	592
Income tax	5	<u>(163)</u>	<u>(166)</u>
PROFIT FOR THE YEAR		<u>420</u>	<u>426</u>

The notes form part of these financial statements

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER: CR 75763)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010	2009
	£'000	£'000
PROFIT FOR THE YEAR	420	426
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>420</u></u>	<u><u>426</u></u>

The notes form part of these financial statements

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER: CR 75763)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2010

	Notes	2010 £'000	2009 £'000
ASSETS			
NON-CURRENT ASSETS			
Trade and other receivables	6	<u>181,730</u>	<u>181,730</u>
CURRENT ASSETS			
Trade and other receivables	6	5,721	5,721
Cash and cash equivalents	7	<u>30,300</u>	<u>29,831</u>
		<u>36,021</u>	<u>35,552</u>
TOTAL ASSETS		<u>217,751</u>	<u>217,282</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	8	1	1
Share premium	9	19,999	19,999
Retained earnings	9	<u>8,787</u>	<u>8,367</u>
TOTAL EQUITY		<u>28,787</u>	<u>28,367</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	10	183,440	183,322
CURRENT LIABILITIES			
Borrowings	10	5,459	5,527
Tax payable		<u>65</u>	<u>66</u>
		<u>5,524</u>	<u>5,593</u>
TOTAL LIABILITIES		<u>188,964</u>	<u>188,915</u>
TOTAL EQUITY AND LIABILITIES		<u>217,751</u>	<u>217,282</u>

The financial statements were approved by the Board of Directors on 21 April 2011 and were signed on its behalf by:



P A Jones
Director

The notes form part of these financial statements

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER: CR 75763)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2009	1	7,941	19,999	27,941
Changes in equity				
Total comprehensive income	<u>-</u>	<u>426</u>	<u>-</u>	<u>426</u>
Balance at 31 December 2009	<u>1</u>	<u>8,367</u>	<u>19,999</u>	<u>28,367</u>
Changes in equity				
Total comprehensive income	<u>-</u>	<u>420</u>	<u>-</u>	<u>420</u>
Balance at 31 December 2010	<u><u>1</u></u>	<u><u>8,787</u></u>	<u><u>19,999</u></u>	<u><u>28,787</u></u>

The notes form part of these financial statements

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER: CR 75763)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash used in operations	13	(4)	(4)
Interest paid		(13,449)	(13,449)
Interest received		14,088	14,142
Tax paid		<u>(166)</u>	<u>(347)</u>
Net cash from operating activities		<u>469</u>	<u>342</u>
		-----	-----
Increase in cash and cash equivalents		469	342
Cash and cash equivalents at beginning of year		<u>29,831</u>	<u>29,489</u>
Cash and cash equivalents at end of year		<u>30,300</u>	<u>29,831</u>

The notes form part of these financial statements

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER: CR 75763)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

1. GENERAL INFORMATION

Yorkshire Power Finance Limited is a company incorporated in Cayman Islands. The address of the registered office is PO Box 309, Ugland House, South Church Street, Georgetown, Grand Cayman, Cayman Islands.

The nature of the Company's operations and its principal activities are set out in the Review of Business, in the Report of the Directors.

2. ACCOUNTING POLICIES

Accounting convention and basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the provisions of the United Kingdom Companies Act 2006 ("the Act"), being the national law of the Member State of the European Union in which CE Electric UK Funding Company, the Company's parent company in the United Kingdom, is incorporated and which would have been applied if the financial statements were United Kingdom statutory financial statements. The financial statements have also been prepared in accordance with IFRSs as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulations.

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 Report of the Directors.

Critical accounting policies

The critical accounting policy adopted by the directors relates to borrowing costs and is described below. The accounting policies have been applied consistently throughout the year and the preceding year.

Adoption of new or revised standards

In the current year, the directors are not aware of any new or revised Standards or Interpretations which have had a material impact on these financial statements.

Revenue

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

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.

Cash equivalents

Loans advanced to the parent company are included within 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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

2. ACCOUNTING POLICIES - continued

Taxation

Income tax expense represents the sum of the 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.

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.

3. DIRECTORS, KEY PERSONNEL AND AUDITORS REMUNERATION

No directors' or key personnel remuneration was charged for the current or the prior year. There are no directors' emoluments that are required to be disclosed under the Act and there were no employees of the Company during the current or the prior year.

Fees paid to the Company's Auditor for the audit of the Company's annual accounts of £4,000 were charged to the Company for the year (2009: £4,000).

There were no fees payable in relation to non-audit services in the current or the prior year.

4. NET FINANCE INCOME

	2010 £'000	2009 £'000
Finance income:		
Interest receivable on amounts owed by Group undertakings	<u>14,085</u>	<u>14,158</u>
Finance costs:		
Interest payable	<u>13,498</u>	<u>13,562</u>
Net finance income	<u>587</u>	<u>596</u>

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER: CR 75763)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010**

5. INCOME TAX

Analysis of the tax charge

	2010	2009
	£'000	£'000
Current tax:		
Tax	<u>163</u>	<u>166</u>
Total tax charge in income statement	<u>163</u>	<u>166</u>
	2010	2009
	£'000	£'000
Tax expense comprises:		
Payment for use of group losses	<u>163</u>	<u>166</u>

The tax charge in the current and prior year represents UK corporation tax at the standard rate of 28%.

The Finance Bill 2011 includes a provision that the standard rate of corporation tax in the United Kingdom will reduce from 28% to 26% from April 2011.

6. TRADE AND OTHER RECEIVABLES

	Book Value		Fair Value	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Non-current:				
Amounts owed by Group undertakings	<u>181,730</u>	<u>181,730</u>	<u>223,852</u>	<u>207,694</u>
Current:				
Amounts owed by Group undertakings	<u>5,721</u>	<u>5,721</u>	<u>5,721</u>	<u>5,721</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. None of these debts are past due or impaired at the balance sheet date as the directors do not consider there to be any doubt over their recoverability.

Loans to Group undertakings are made to Yorkshire Power Group Limited, a company within the CE Electric UK Funding Company group (the "CE Group"), and are at fixed rates of interest. The maximum exposure to risk to the Company is the book value of these loans.

7. CASH AND CASH EQUIVALENTS

Cash equivalents represent surplus cash remitted to Yorkshire Electricity Group plc ("YEG"), a fellow company in the CE Group, and invested, generating a market rate of return for the Company. This is repayable within three months and YEG has access to the facilities described in the going concern note in the Report of the Directors.

The cash equivalents are subject to an insignificant risk of changes in value. The fair value of cash equivalents is equal to their book value. The maximum risk of exposure is the book value.

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER: CR 75763)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010**

8. CALLED UP SHARE CAPITAL

	2010	2009
	£'000	£'000
Ordinary shares of \$1 each		
Authorised (50,000)	35	35
Allotted, called up and fully paid (2,000)	<u>1</u>	<u>1</u>

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

9. RESERVES

	Retained earnings	Share premium	Totals
	£'000	£'000	£'000
At 1 January 2010	8,367	19,999	28,366
Profit for the year	<u>420</u>	<u>-</u>	<u>420</u>
At 31 December 2010	<u>8,787</u>	<u>19,999</u>	<u>28,786</u>

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER: CR 75763)

**NOTES TO THE FINANCIAL STATEMENTS - continued
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10. BORROWINGS

	Book Value		Fair Value	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Loans	<u>188,899</u>	<u>188,849</u>	<u>225,629</u>	<u>214,974</u>
The borrowings are repayable as follows:				
On demand or within one year	5,459	5,527	5,459	5,527
After five years	<u>183,440</u>	<u>183,322</u>	<u>220,170</u>	<u>209,447</u>
	<u>188,899</u>	<u>188,849</u>	<u>225,629</u>	<u>214,974</u>
Analysis of borrowings:				
Sterling denominated Eurobond due 2028 @ 7.25%	<u>188,899</u>	<u>188,849</u>	<u>225,629</u>	<u>214,974</u>

The fair value of the sterling denominated Eurobond due 2028 is determined by reference to market prices.

Interest on the fixed interest rate loans exposes the Company to fair value interest rate risk.

The loans are non-secured.

The Company has no undrawn committed borrowing facilities.

The following table details the remaining contractual maturities for non-derivative financial liabilities included in the table above. The table has 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 table includes both interest and principal cash flows.

	Less than 3 Months £'000	3 Months to 1 Year £'000	1 Year to 5 Years £'000	5 Years plus £'000	Total £'000
2010					
Fixed interest rate liability	<u>-</u>	<u>14,500</u>	<u>58,000</u>	<u>388,500</u>	<u>461,000</u>
2009					
Fixed interest rate liability	<u>-</u>	<u>14,500</u>	<u>58,000</u>	<u>403,000</u>	<u>475,500</u>

11. RELATED PARTY DISCLOSURES

The Company has advanced loans to other companies in the CE Group. The total interest included in investment income in the income statement for the year ended 31 December 2010 was £14,085,000 (2009: £14,158,000). Included within trade and other receivables is £187,451,000 as at 31 December 2010 (2009: £187,451,000) and included within cash equivalents is £30,300,000 as at 31 December 2010 (2009: £29,831,000) in respect of these loans.

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**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010**

12. ULTIMATE CONTROLLING PARTY

The immediate parent undertaking of Yorkshire Power Finance Limited is Yorkshire Power Group Limited. The ultimate controlling party and ultimate parent undertaking of Yorkshire Power Group 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 Yorkshire Power Finance Limited 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.

13. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH USED IN OPERATIONS

	2010	2009
	£'000	£'000
Profit before income tax	583	592
Finance costs	13,498	13,562
Finance income	(14,085)	<u>(14,158)</u>
Cash used in operations	(4)	(4)