

Registered number: 02386327

National Grid Telecoms Limited (formerly WPD Telecoms Limited)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the 15 months ended 31 March 2022



nationalgrid

Contents	Page
Strategic report	1
Section 172 statement	5
Directors' report	9
Directors' responsibilities statement	11
Independent auditor's report to the member of National Grid Telecoms Limited (formerly WPD Telecoms Limited)	12
Financial statements:	15
Profit and loss account	16
Balance sheet	17
Statement of changes in equity	18
Notes to the financial statements	

Strategic report

For the 15 months ended 31 March 2022

The directors present their strategic report on National Grid Telecoms Limited (formerly WPD Telecoms Limited) (the "Company") (registered number 02386327) for the 15 months ended 31 March 2022 (comparatives for the 12 month period ended 31 December 2020).

Ownership

The Company is an indirect wholly-owned subsidiary of National Grid Electricity Distribution plc (formerly Western Power Distribution plc) which is a public limited company registered in England and Wales. The primary business of National Grid Electricity Distribution plc (formerly Western Power Distribution plc) and its subsidiaries ("NGED Group" or "NGED" or "Group") is the distribution of electricity in the South West and Midlands regions in England and in South Wales.

On 14 June 2021, PPL Corporation completed the sale transaction of its UK investment in the NGED Group, which includes the Company, to National Grid Plc ("National Grid"). On completion of the sale the ultimate controlling parent of the NGED Group became National Grid Plc, registered in England and Wales. National Grid is an energy company operating in the UK and United States of America.

Principal activity and review of the business

The principal activities of the Company during the period under review continued to be the provision of:

- dark optical fibre capacity;
- carrier wholesale bandwidth;
- leasing of telecommunication sites and facilities; and
- regional non-switched leased lines.

These services provide links between cable landing stations, data centres and major towns and cities in South Wales, South West and Midlands areas of England to the rest of the United Kingdom, interconnecting with other carrier networks in Bristol, Cardiff and London. The network includes over eighty points of presence including Bristol, Bath, Exeter, Plymouth, Lands End, Bude, Cardiff, Newport, Swansea, Birmingham, Nottingham, Leicester, Coventry, Worcester and Gloucester.

The Company's products are aimed at national and international telecommunications operators including large broadband media providers. Customers include the corporate, business, educational, public sector and utility sectors of the market. The Company has also seen an increase in demand for its fibre, carrier bandwidth and site sharing facilities from the emerging alternative network provider sector. Interest from this sector was initially focused in the South West and South Wales but has now extended into the Midlands over the last 12 months.

The Company also operates and maintains the telecommunications network for NGED and as such a proportion of turnover is attributable to work for other companies within the Group. This will continue to be the case for the foreseeable future.

The Company operates as a Public Electronic Communications Network provider under the authorisation scheme for 'electronic communications networks and services'. Regulation is implemented and administered by the Office of Communications ("Ofcom") who have set out requirements for network providers. This includes provision of a fund for liabilities and for interconnection registration.

Through the implementation and continuous review of quality and security management systems, the Company is accredited and certified to BS/EN ISO9001:2015, ISO27001:2013. The Company is actively engaged in researching and preparing to meet the requirements of the Telecoms Security Requirements ("TSR"), due to be introduced by the UK Government late in 2022. WPD Telecoms is committed to becoming an accredited Tier 3, TSR organisation during 2023.

Strategic report (continued)
For the 15 months ended 31 March 2022

Principal activity and review of the business (continued)

The Company's financial and non-financial key performance indicators ('KPIs') during the period were as follows:

	15 months to 31 March 2022 £'000	12 months to 31 December 2020 £'000	Change %
Turnover	29,870	26,227	14%
Profit before interest and tax	2,142	1,722	24%
Profit for the financial period	1,541	1,135	36%
Equity shareholder's funds	15,905	16,224	(2)%
	%	%	%
Bandwidth availability	99.99	99.99	0%
Dark fibre availability	99.99	100.00	0%
Faults restored within service level agreements	26	127	(80)%
Faults restored within service level agreements (%)	60	100	(40)%
Average restoration time (minutes)	400	344	16%

To align with the financial year end of the ultimate parent company i.e. National Grid, the Company has changed its financial year end from 31 December to 31 March and this is the first financial reporting period adopting the new year end date. The financial statements are therefore for the 15 month period ended 31 March 2022 and the previous reporting period of 12 months is not fully comparable with the current reporting period of 15 months.

Turnover has increased by 14% due to the longer, 15 month period. When comparing pro-rata income fell by 9%. This was mainly to works relating to Hinkley Point C power station where major fibre works are required to allow National Grid to build new power lines to the power station. The income is fully offset in costs as the project is a recharge project, so does not translate to an increase in operating profit. There was a small reduction in internal income. External income was negatively impacted by the expiry of a number of legacy fibre agreements that were not renewed. The increase in operating costs is due to a 15 month period.

The overall number of faults has fallen significantly within this period but despite that, the average restoration time has increased by 16%. This was due to the percentage of these faults associated with third party circuits. The restoration time on these circuits is outside the control of the Company.

Principal risks and uncertainties

Competitive Risks

For its external revenue, the Company faces competitive risks from other operators providing similar services. In order to minimise risk, the Company operates only in the wholesale telecommunications market, has a reliable network covering key sites in the South West and Midlands of England and South Wales, and has a strong regional presence. The Company offers a high quality service at competitive prices.

Compliance to Regulation and Standards

The Company face the risk of non-compliance with regulations and best practices within the industry resulting in loss of business and reputation. To mitigate this, the senior management is actively involved in all compliance and best practice related matters and the Board maintains direct oversight to ensure that the Company is compliant with all relevant industry standards. The Company is committed to the ISO 9001 standard (quality management). The Company is also compliant with the OHSAS 18001 standard (health and safety), and the ISO 27001 standard (information security management).

Strategic report (continued)

For the 15 months ended 31 March 2022

Principal risks and uncertainties (continued)

Reliance on Suppliers

There is a risk of reliance on suppliers for operating and maintaining its activities. The Company operates mainly over networks and sites that are its own or belong to fellow subsidiaries, and relies to a small extent on BT Group and other connectivity providers, who themselves are regulated. Where third party fibres are used, there is a supply arrangement with that party, mitigating material risk.

Customers

There is a risk of loss of key external customers resulting in loss of revenue. The Company's focus remains exclusively in the wholesale market where there is less exposure to customer 'churn'. The Company continues to grow market share with new and existing 'alt-net' providers within the South West of England. It has also witnessed noticeable increased interest from these businesses for new services in South Wales and the East coast of England as they expand their networks to try and reach communities and locations not well served by the main providers. We continue to support mobile network operators ("MNOs") in the expansion and roll out of their 5G networks. Whilst business in this sector remains strong the impact of Code rights granted to MNOs by the Electronic Communications Code are forecast to have a negative impact on the rental returns achievable for the site share services we provide to this sector.

The Company aims to mitigate the risk of customer churn by providing quality of services. The service levels achieved during the period were consistently above industry standards:

- Bandwidth availability was 99.99% (31 December 2020: 99.99%)
- Dark fibre availability was 99.99% (31 December 2020: 100%)
- 60% of all faults were restored within the terms of service level agreements, in an average response time of 10 minutes and a total average restoration time of 400 minutes (31 December 2020: 100% of all faults were restored within the terms of service level agreements, in an average response time of 2 minutes and a total average restoration time of 344 minutes).

Following Appropriate Strategies

The Company's main focus remains on developing and extending its strong regional presence in the wholesale market, providing fibre, managed services and radio connectivity. The Company will continue to expand the reach of its fibre network within its own geographical footprint in the coming years.

Works are progressing well on a new and significant 'North of the Severn' diverse fibre route utilising existing underground duct and overhead pylon to connect the existing South Wales fibre network to the Midlands and South West network avoiding the Severn Bridge crossing. This will deliver enhanced, secure and reliable communications for NGED's increasing control and monitoring requirements. This new route will offer resilient connectivity in and out of South Wales. This was expected to be operational and available to new customers from late 2023. COVID pandemic related delays mean that 'go live' date is now estimated as Q1/Q2, 2024.

The programme to fibre enable existing hill top radio sites in 2021 was also delayed as a result of the COVID pandemic but is now progressing. This is required to support NGED's transition from a Distribution Network Operator ("DNO") to a Distribution Systems Operator ("DSO"). This transition remains a key focus as increasingly smart and active communication solutions are required to meet the demands of a low carbon and digital future. The Company's wholesale market customers will also benefit from access to this fibre enabled radio site portfolio. The Company has the benefit of being able to use the electricity network of its fellow NGED companies in the South West and Midlands areas of England, and South Wales. Compliance to current security standards and a high quality of service enables the Company to attract customers who operate in the public and corporate sectors.

Strategic report (continued)

For the 15 months ended 31 March 2022

Liquidity and interest rate risk

The Company poses a liquidity risk and interest rate risk if external borrowing is needed. This risk is mitigated as National Grid Electricity Distribution (South West) plc (formerly Western Power Distribution (South West) plc) ("NGED South West"), a fellow subsidiary, provides day to day banking for NGED, including the Company. NGED South West is a regulated electricity distribution company which must maintain an investment grade credit rating. NGED affiliates pay or receive interest to/from the Company based on the Bank of England base rate.

Capital investment and future developments

The Company's fibre optic network is predominantly attached to NGED South West and National Grid Electricity Distribution (South Wales) plc's (formerly Western Power Distribution (South Wales) plc) ("NGED South Wales") high voltage electricity overhead line network and extends some 2,700km across the South West peninsula of England and the Southern area of Wales. The strategy of extending and densifying the network through a rolling programme to add new and upgrade additional points of presence throughout the four DNO regions using both third party fibre and fibre attached to NGED's network continues. The company is also utilising BT Openreach's Physical Infrastructure Access ("PIA") selectively as a means of extending our fibre reach to meet network expansion objectives.

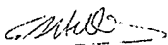
The Company will continue to improve its current range of services, expand its existing operations and invest in its network in order to meet the demands of the telecommunications market through existing and new channel partners, both within and outside its geographical area. The Company is focused on increasing the reach and density of the existing fibre network within region, offering greater opportunity to provide current and potentially new services to new and existing customers over a greater geographical area.

The Company's upgrade of its South West Dense Wavelength-division multiplexing ("DWDM") network allowing it to offer multiple 100Gb services due to go live in Q2, 2021 was delayed. The impact of the COVID pandemic and lengthy delays on equipment delivery from a key supplier resulted in go live slipping until November, 2021. This upgrade to enable the Company to meet the continued demand for greater bandwidth capacity has been well received with interest from both new and longstanding customers. The first 100Gb services are already operational with others ordered and due to go live later this year.

Section 172 statement

Refer to page 5 below for our Section 172 statement.

Approved by the board of directors and signed on its behalf by



GR Halladay
Director
13 December 2022

Section 172 statement

For the 15 months ended 31 March 2022

The Directors of all UK companies must act in accordance with their duties under the Companies Act 2006. This includes a fundamental duty to promote the success of the Company for the benefit of its members as a whole. This duty has been central to the Company's decision-making processes and outcomes over many years. The Board has well-established policies defining the Board's duties and responsibilities including those under section 172.

The information below describes how, in performing their duties during the period, the Directors have had regard to the matters set out in Section 172(1) (a) to (f) of the Act, and constitutes the Board's Section 172 Statement.

Strategy and long-term decision-making

Our strategic direction detailed on page 4 of the strategic report, clearly reflects that the Board is focused on promoting the success of the Company by supporting the DNOs within the NGED Group, as well as by delivering customer focused performance to external customers in a manner that is environmentally sustainable, provides long term stability and meets the needs of its key stakeholders.

Flexible and effective networking solutions is the key focus for the Board. We provide data technology in a variety of ways to deliver truly connected bespoke communications solutions that meets the needs of our customers. The Board places great emphasis on ensuring that the Company is working with the most advanced technology and infrastructure and is adapting and innovating to ensure that the needs of all its customers are met effectively. One key area that the directors consider critical to the strategic growth of the Company is the need to meet the growing demand for greater capacity, and therefore expansion of our network has been a key focus for the directors. The extensive reach of our network will allow businesses and our communities to access low cost, high performance internet access with extremely high resilience.

The Board devolves day-to-day management and decision-making to its senior management team, and maintains oversight of the Company's performance, and reserves specific matters for approval. Policies are in place defining the powers of delegation by the Board, the matters reserved for the Board and the areas of responsibilities and accountability of Directors. Policies have been established that define the framework within which we expect managers and employees to operate. These policies represent one of the means through which decisions on stakeholder interests are enacted.

By receiving regular updates on business objectives and performance, the Board monitors that management is acting in accordance with the agreed strategy. Processes are in place to ensure that the Board receives all relevant information to enable it to make well-judged decisions in support of the Company's long-term success.

The Board has oversight responsibility for the key risks of the Company and the Board ensures the strategic priorities of the Company are aligned to its appetite for risk.

Employee interests

Like all successful enterprises, our strength is our talented teams. Our business is built by our people and we are committed to ensuring that the interests of employees are taken into consideration while promoting the success of the Company.

All our employees are effectively employees of the NGED Group and their interests are managed at the Group level.

Equal opportunity is key to the NGED Group's approach to hiring, training and promoting employees. NGED holds the British Service Standard for diversity and inclusion and acknowledges the value that a diverse workforce brings to the organisation. We have an established Equality and Diversity policy demonstrating the equal treatment of all existing and future employees.

Employees are selected, treated, and promoted according to their abilities and merits and to the requirements of the job. Applications for employment by people with disabilities are fully considered, and in the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues by way of making adjustments to their role and/or working environment or through retraining.

Section 172 statement (continued)

For the 15 months ended 31 March 2022

Employees interests (continued)

NGED also provides an ethics helpline that employees can use to report any concerns.

For details in relation to the employee interests of the NGED Group, refer to the Strategic report and Corporate governance statement in the National Grid Electricity Distribution plc (formerly Western Power Distribution plc) Annual Report and Consolidated Financial Statements, available at the below link:

<https://www.westernpower.co.uk/about-us/financial-information>

Stakeholder engagement

Our main stakeholder is NGED, being our key customer as well as our shareholder. Our other key stakeholders are, external customers, employees, regulators, suppliers and our ultimate shareholder.

NGED Group

One director of the Company is an executive director of the NGED Group and another director of the Company is part of the senior management of the NGED Group. This ensures that there is active engagement with our main customer, the NGED Group, on all key matters. All key information in relation to the Company is timely fed back to the NGED Group Board. The strategic direction of the Company is aligned to the NGED Group's strategy and goals.

Ultimate shareholder

National Grid's senior management has regular contact and dialogue with the directors of the Company and also with the Board and senior management of the NGED Group. There is a suite of financial and regulatory reporting presented to National Grid on established timelines and regular financial and regulatory update meetings are conducted with National Grid's management team to provide updates on any key accounting, business, and legal issues. Additionally, NGED's financial plan is presented to the National Grid Board for detailed review and approval on an annual basis. The Board meeting of National Grid and any senior leadership events at National Grid are attended by the NGED Chief Executive and other executive board members including directors of the Company.

External customers

The Company aims to meet the needs of its external customers by providing secure, resilient and high quality end to end connectivity solutions. The management within the Company engages with its external customers at an individual level to be able to create bespoke solutions for an organisation, if needed. The Company continues to work with the major UK mobile network operators to support their increase in shared site requirements as their 5G networks densify and expand. The Company continues to grow market share with new and existing 'alt-net' providers within the South West of England. It has also witnessed noticeable increased interest from these businesses for new services in South Wales and the East coast of England as they expand their networks to try and reach communities and locations not well served by the main providers.

Effective customer engagement is also evident from the fact that network availability was 99.995% over the period.

Performance is monitored via a Key Performance Indicator ("KPI") dashboard; this is reviewed by senior management and includes KPIs in relation to external customers and key information, if any, is fed back by the senior management to the directors of the Company in the regular update meeting.

For further details on customer engagement, refer to page 3 in Strategic report.

Suppliers

The Company relies to a small extent on external suppliers such as BT and other connectivity providers. Where external suppliers are used, the Company maintains open and positive communications and ensures that fair and standard industry contracts are in place with all suppliers.

Section 172 statement (continued)

For the 15 months ended 31 March 2022

Stakeholder engagement (continued)

Regulators

The directors aim to maintain an open and transparent relationship with the telecommunications industry regulator, Ofcom. All regular reporting to Ofcom is submitted on a timely basis and any information submitted is reviewed by the senior management to ensure the integrity of the information.

The Company plays an active role in Ofcom's various initiatives and measures pertaining to the industry by diligently responding to consultations on all key matters.

A key member of the senior management of the Company is the chair of the Energy Network Association Strategic Telecommunications Group. This group is focused on providing strategic direction on operational telecommunication resilience, connected customer communications and smart technologies and the group provides opportunities to exchange information and best practices in the key elements of telecommunications.

In addition, the Company also actively engages with the Department for Digital, Culture, Media and Sport ("DCMS") and the Department for Business Energy & Industrial Strategy ("BEIS") by participating in their initiatives and responding to any consultations and calls for evidence launched by them in relation to the telecoms industry. One such example being responsive to DCMS and BEIS initiatives to enhance industry standards is our commitment to becoming a Tier 3 TSR ("Telecommunication Security Requirements") during 2023.

Impact on communities and environment

The service we provide is critical to the distribution network and system operations within the NGED Group, as well as to our external customers, as it impacts the businesses and homes of the end consumers and also impacts our communities.

The directors believe that working closely with our communities is important in creating shared value for the business, the people we serve and the communities we operate in. This is evident from the Company's participation in various working groups within the industry, such as working groups within Building Digital UK ("BDUK"). BDUK is part of DCMS and is working towards providing rural broadband connectivity and eliminating the divide between availability of broadband in rural versus urban areas. Another example of this being the Company's Collaboration with the Joint Radio Company Ltd ("JRC") on researching and demonstrating the viability and benefits of a Private Long Term Evolution ("LTE") network for utilities.

Since the directors of the Company were also executive directors of the NGED Group, during the period, they directly and indirectly, through the senior management team, engaged with over 44,000 (2020: 37,000) stakeholders via a range of methods and delivered 384 (2020: 356) improvement actions based on feedback received. These actions cover a variety of stakeholder groups including the important areas of vulnerable customers and smart networks. The NGED Group has supported over 25,000 fuel poor customers in making annual savings of £14.6 million.

Looking to the future, since our key role is to support the network operations within the Group, we face exciting challenges as the UK works towards achieving the Government's de-carbonisation target of net-zero carbon emissions by 2050. We have long recognised the role that the electricity sector plays in contributing to the UK's ambitions towards carbon reduction and it is our top priority to provide the electricity sector with the right telecommunication infrastructure to achieve its net zero carbon aims. The directors remain focused on fostering an environment that supports innovation and creativity for ensuring that technology is utilised to best effect to meet the changing demands placed upon our network. This is evident from NGED's announcement in April this year that it intends to become a net zero emissions organisation by 2028 (excluding network losses and scope 3 emissions), more than two decades ahead of the UK government's target.

Environmental sustainability is one of the key goals of all companies within the NGED Group.

Section 172 statement (continued)

For the 15 months ended 31 March 2022

Impact on communities and environment (continued)

Further details on corporate social responsibility and the environmental goals of the Group are provided in the Strategic report of National Grid Electricity Distribution plc (formerly Western Power Distribution plc) Annual Report and Consolidated Financial Statements. These financial statements can be accessed at the link below:

<https://www.westernpower.co.uk/about-us/financial-information>

Reputation for high standards of business conduct

The directors aspire to develop a culture where the management and workforce is motivated to be successful for its shareholder by creating long term value and at the same time is committed to satisfying customer needs. The directors also aim for us to be a valued member of the community, which includes acting as a responsible steward of the environment. We conduct our business in a responsible manner, considering the needs of present and future generations. We are committed to being an exemplary corporate citizen, seeking to improve the quality of life in the communities in which we do business. The Board ensures that the purpose, values and goals of the Group support this. Our engagement with all stakeholder groups reflects that this aim is embedded across the business and impacts the decisions taken throughout the organisation.

The directors are committed to quality and security for their customers and their communities and therefore aim to be compliant with all relevant industry standards. Through the implementation and continuous review of quality and security management systems, the Company is accredited and certified to the ISO 9001 standard (quality management). The Company is also compliant with the OHSAS 18001 standard (health and safety), and the ISO 27001 standard (information security management). In addition, the Company also holds CESG Assured Service for Telecoms ("CAS-T") certification. All these accreditations are testament to the directors' commitment to high standards of business conduct.

In addition, the NGED Group Board also ensures that the strategy and goals of all the entities within the NGED Group support the principle of best business practices and engagement with all stakeholder groups. This aim is embedded across the business and impacts the decision making taken throughout the Group.

Details of the NGED Group's business conduct are provided in the Section 172 statement of National Grid Electricity Distribution plc's (formerly Western Power Distribution plc) Annual Report and Consolidated Financial Statements. These financial statements can be accessed at the link below:

<https://www.westernpower.co.uk/about-us/financial-information>

The need to act fairly as between members of the Company

The Company's ultimate shareholder is National Grid. The directors of the Company both effectively and constructively engage with and report to the shareholder.

Declaration of dividend

During the period the Board has declared a dividend of £1.9m (12 months ended 31 December 2020: £8.1m). In considering capital distributions, the Board is mindful of stakeholders' views and takes account of our latest financial position and the long-term sustainability for the Company. In its capacity of providing oversight also for the operational performance of the business, the Board also takes account of the prevailing performance against customer performance targets, other RIIIO-ED1 output commitments for the NGED Group and future requirements such as DSO and net zero, to assess investment requirements of the Company.

Directors' report

For the 15 months ended 31 March 2022

The directors present their report for the 15 months ended 31 March 2022.

Directors

The directors who served during the period and subsequently, unless otherwise stated were:

GR Halladay

IC Smith (appointed on 7 October 2022)

IR Williams (resigned on 31 July 2022)

During and at the end of the financial period, no director was interested in any contract of significance in relation to the Company's business other than service contracts. Insurance in respect of directors and officers of the Company and other NGED Group companies is third party qualifying insurance and is now maintained by the NGED Group's ultimate parent, National Grid plc. The insurance is subject to the conditions set out in the Companies Acts and remains in force at the date of signing the Directors' report.

Results and dividends

The profit for the financial period amounted to £1,541,000 (2020: £1,135,000). The Company declared a dividend in the financial period of £1,860,162 (2020: £8,132,730).

Events after the balance sheet date

Subsequent to the year end, no dividend has been paid or proposed by the directors.

On 20 September 2022, the name of the Company was changed from WPD Telecoms Limited to National Grid Telecoms Limited.

Financial risk management

The principal financial risk to the Company is loss of contracts with external customers. The Company mitigates this risk by actively seeking new business spanning a range of product lines and industry sectors, as well as seeking to ensure customer retention is kept as high as possible by maintaining excellent standards of availability, reliability and customer service.

Refer to the strategic report for further detail on the Company's principal risks and uncertainties on pages 2 to 3.

Going concern

The directors have considered the appropriateness of adopting the going concern principle. The Company has net current assets of £1.8m (31 December 2020: £0.9m) and the Company generates stable revenue from external customers and from NGED Group entities. Confirmation has also been obtained from a parent undertaking that it will provide financial support to the Company for not less than 12 months from the date of approval of the financial statements.

After consideration, the directors of the Company have concluded that the Company has sufficient resources available to enable it to continue in existence for the foreseeable future and at least for a period of 12 months from the date of signing the accounts and have therefore continued to adopt the going concern basis in preparing the financial statements. This consideration included the overall balance sheet position, a stable stream of revenue from external customers, as well as internally from the NGED Group and the ability of the parent to provide financial support.

Future developments

Details on the Company's future development strategy can be found in the Strategic Report under 'capital investment and future developments' on page 4.

Directors' report (continued)

For the 15 months ended 31 March 2022

Statement of disclosure to independent auditor

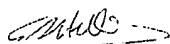
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, of which the auditor is unaware. Each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Independent auditor

Deloitte LLP have expressed their willingness to continue in office and their reappointment as auditors for the NGED Group was approved by the shareholders of National Grid Plc on 11 July 2022.

Approved by the board of directors and signed on its behalf by:



GR Halladay
Director

13 December 2022

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the member of National Grid Telecoms Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of National Grid Telecoms Limited (formerly WPD Telecoms Limited) (the 'Company'):

- give a true and fair view of the state of the company's affairs as of 31 March 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent auditor's report to the member of National Grid Telecoms Limited (continued)

Other information (continued)

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included General Data Protection requirements, Anti-bribery and corruption policy and the Foreign Corrupt Practices Act.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in cut-off of revenue. Our specific procedures performed to address the risk are described below:

- Assessment for appropriateness of the revenue recognition policies adopted by management; and
- Testing whether amounts recognised were accurate and recorded in the correct period, by agreeing to timing of satisfaction of performance obligations in a sample of individual transactions.

Independent auditor's report to the member of National Grid Telecoms Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Suzanne Gallagher - FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

13 December 2022

Profit and loss account

For the 15 months ended 31 March 2022

	Note	15 months to 31 March 2022 £000	12 months to 31 December 2020 £000
Turnover	4	29,870	26,227
Operating expenses	5	(27,728)	(24,505)
Operating profit		2,142	1,722
Interest receivable	7	5	20
Interest payable	8	(69)	(68)
Profit before tax		2,078	1,674
Tax	9	(537)	(539)
Profit for the financial period		1,541	1,135

All operations are continuing.

There is no other comprehensive income for the 15 months ended 31 March 2022 or 12 months ended 31 December 2020 and therefore no separate statement of comprehensive income has been prepared.

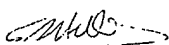
The accompanying notes 1 to 24 are an integral part of these financial statements.

Balance sheet
As at 31 March 2022

	Note	31 March 2022 £000	31 December 2020 £000
Non-current assets			
Tangible fixed assets	11	11,450	12,347
Right-of-use assets	12	1,088	1,892
Intangible assets	13	2,937	3,112
Debtors: amounts falling due after more than one year	14	48	56
		15,523	17,407
Current assets			
Debtors: amounts falling due within one year	14	5,281	7,036
Cash at bank	15	1,822	1,822
		7,103	8,858
Current liabilities			
Creditors falling due within one year	16	(4,722)	(7,181)
Lease liabilities	17	(558)	(801)
Net current assets		1,823	876
Total assets less current liabilities		17,346	18,283
Non-current liabilities			
Creditors falling due after more than one year	16	(442)	(574)
Lease liabilities	17	(529)	(1,095)
Provisions for liabilities			
Deferred tax	18	(470)	(390)
Net assets		15,905	16,224
Capital and reserves			
Share capital	21	8,400	8,400
Profit and loss account		7,505	7,824
Equity shareholder's funds		15,905	16,224

The accompanying notes 1 to 24 are an integral part of these financial statements.

The financial statements of the Company (registered number 02386327) on pages 15 to 35 were approved by the Board of Directors on 13 December 2022 and were signed on its behalf by :



GR Halladay
Director

Statement of changes in equity
For the 15 months ended 31 March 2022

	Note	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2020		8,400	14,822	23,222
Profit for the financial year		-	1,135	1,135
Total comprehensive income for the year		-	1,135	1,135
Dividends	10	-	(8,133)	(8,133)
At 31 December 2020		8,400	7,824	16,224
Profit for the financial period		-	1,541	1,541
Total comprehensive income for the financial period		-	1,541	1,541
Dividends	10	-	(1,860)	(1,860)
At 31 March 2022		8,400	7,505	15,905

Notes to the financial statements

For the 15 months ended 31 March 2022

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of National Grid Telecoms Limited (formerly WPD Telecoms Limited) (the "Company") for the 15 months ended 31 March 2022 (including the comparatives for the 12 month period ended 31 December 2020) were authorised for issue by the Board of Directors on 13 December 2022 and the balance sheet was signed on the Board's behalf by GR Halladay. National Grid Telecoms Limited (formerly WPD Telecoms Limited) is a private Company limited by shares incorporated and registered in England and Wales. The registered address is included in Note 24.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with the provisions of the UK Companies Act 2006. The Company has used a true and fair view override in respect of the non-amortisation of goodwill (see Note 2).

2. Significant accounting policies

Basis of preparation

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, revenue from contract with customers, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the group financial statements of National Grid Electricity Distribution plc (formerly Western Power Distribution plc). These group financial statements are available to the public and can be obtained as set out in Note 24.

To align with the financial year end of the ultimate parent company i.e. National Grid, the Company has changed its financial year end from 31 December to 31 March and this is the first financial reporting period adopting the new year end date. The financial statements are therefore for the 15 month period ended 31 March 2022 and the previous reporting period of 12 months is not fully comparable with the current reporting period of 15 months.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Company's financial statements are presented in Sterling as this is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. The principal accounting policies adopted are set out below.

Going concern

The directors have considered the appropriateness of adopting the going concern principle. The Company has net current assets of £1.8m (31 December 2020: £0.9m) and the Company generates stable revenue from external customers and from NGED Group entities. Confirmation has also been obtained from a parent undertaking that it will provide financial support to the Company for not less than 12 months from the date of approval of the financial

After consideration, the directors of the Company have concluded that the Company has sufficient resources available to enable it to continue in existence for the foreseeable future and at least for a period of 12 months from the date of signing the accounts and have therefore continued to adopt the going concern basis in preparing the financial statements. This consideration included the overall balance sheet position, a stable stream of revenue from external customers, as well as internally from the NGED Group and the ability of the parent to provide financial support.

Notes to the financial statements
For the 15 months ended 31 March 2022

2. Significant accounting policies (continued)

Impact of New Financial Reporting Standards

The following new standards are effective for accounting periods beginning on or after 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - amendments in relation to Interest Rate Benchmark Reform, Phase 2. These amendments are effective for annual periods beginning on or after 1 January 2021;
- Amendments to IFRS 16 - amendments regarding COVID-19 related rent concessions, effective for annual periods beginning on or after 1 June 2020 and further extension effective for annual periods beginning on or after 1 April 2021.

The Company has assessed the impact of these standards and concluded that there is no material change to the Company's financial statements.

Cash at bank

Cash at bank in the balance sheet comprises restricted funds as determined by regulatory requirements for the protection of customers based on the size of the Company's network.

Turnover

The majority of the turnover of the Company represents rent from the lease activities of dark optical fibre, carrier wholesale bandwidth, communications sites and regional leased line services.

The rent contracts contain a single performance obligation of providing the relevant telecommunication service.

- a) *The Company's customers immediately control and consume the benefits Company provides;*
- b) *The Company's service does not create or enhance an asset with an alternate use to Company;*
- c) *The Company has the right to payment from the customer for the service that has been provided.*

The Company measures the progress of the performance obligation using the output method. Output method recognised revenue is based on direct measurements of value transferred to the customer. Accordingly monthly rental revenue is recognised over the period of the rent contract.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairments. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Employee costs incurred in implementing the capital schemes of the Company are capitalised within infrastructure assets together with the cost of materials.

Contributions received towards the cost of tangible fixed assets are included in trade and other payables as deferred income and credited on a straight-line basis to the profit and loss account over the estimated economic useful lives of the assets to which they relate.

Depreciation is provided on all tangible fixed assets, other than land, on a straight-line basis over its expected useful life as follows:

	<u>Years</u>
Network assets - Fibres	20
Network assets - other network assets	7
Radio sites	40
Other assets - land and buildings	40 to 60
Other assets - vehicles	7 to 10

2. Significant accounting policies (continued)

Tangible fixed assets (continued)

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of tangible fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the profit and loss account in the period of derecognition.

Intangible assets

Intangible assets, other than goodwill, include customer contracts and computer software and are stated at the amount initially recognised, less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business combination are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights.

Intangible assets with a finite life are amortised on a straight-line basis over their expected useful lives.

The expected useful lives of assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Customer contracts

The value recognised for customer contracts relating to acquired telecommunications activities is amortised over 10 years on the basis that such contracts can be terminated and there is a degree of consolidation amongst mobile operator companies. It is written off if the activity is sold.

Computer software

Costs directly associated with the development of computer software for internal use are capitalised where technical feasibility can be demonstrated, the Company is satisfied that future economic benefits will flow to the Company and the cost can be separately identified and reliably measured. Software is measured initially at cost and amortised on a straight-line basis over its estimated useful life. Carrying amount is reduced by any provision for impairment where necessary. The estimated useful life assigned to computer software is up to five years.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

2. Significant accounting policies (continued)

Intangible assets (continued)

Goodwill (continued)

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the Company amortised goodwill, a period of 20 years would have been chosen as its useful economic life. Profit for the period would have been £183,000 lower had goodwill been amortised on this basis.

Impairment of tangible fixed assets, right-of-use assets, intangible assets, and goodwill

The Company assesses goodwill and intangibles with indefinite useful lives for impairment annually and other assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset group's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the recoverable amount of the group of cash-generating units ('CGUs') to which the goodwill relates should be assessed. In assessing whether goodwill has been impaired, the carrying amount of the group of CGUs (including goodwill) is compared with their recoverable amount. The recoverable amount of a group of CGUs to which goodwill is allocated is the higher of value in use and fair value less costs of disposal. Where the recoverable amount of the group of CGUs to which goodwill has been allocated is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Leases

The Company as a lessee

The Company assesses whether a contract is, or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (assets with purchase price less than \$5,000). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Notes to the financial statements

For the 15 months ended 31 March 2022

2. Significant accounting policies (continued)

Leases (continued)

The Company as a lessee (continued)

The lease liability is initially measured at the present value of the unpaid lease payments at the commencement date, discounted by using the Company's incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the profit and loss account in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. The Company has no finance leases.

Assets leased out under operating leases are included in tangible fixed assets and depreciated over the estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the term of the lease. Lease termination fees are allocated to the profit and loss account upon termination. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes to the financial statements

For the 15 months ended 31 March 2022

2. Significant accounting policies (continued)

Leases (continued)

The Company as a lessor (continued)

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

Taxation

The income tax expense (or credit) for the period comprises current and deferred tax. Income tax is recognised in the income statement unless it relates to an item that has been recognised in other comprehensive income, in which case it is also be recognised in other comprehensive income.

Current tax is measured at the amount expected to be payable (or recoverable) in respect of the taxable profit (or loss) for the period based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. This includes UK corporation tax payable to HM Revenue and Customs ("HMRC") and amounts payable to (or receivable from) other UK group companies for losses and other amounts transferred between them ("group relief").

Deferred tax is the tax expected to be payable (or recoverable) in future periods due to differences between the time when profits and losses are recognised in the financial statements and the time when those profits and losses are included in tax returns filed with HMRC. These temporary differences arise in the current period and then reverse in future periods. The temporary differences are calculated by comparing the carrying value of assets and liabilities at the balance sheet date with their corresponding tax bases included in tax returns.

Deferred tax is recognised on all temporary differences except:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the asset may be recovered.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods when the temporary differences will reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset only to the extent permitted by tax legislation.

Pension costs

The Company participates in one defined benefit pension scheme, a section of the Electricity Supply Pension Scheme ('ESPS'), to which most employees in the Group in the South West of England and South Wales belong, and which has approximately 9,302 members. The ESPS is a group defined benefit pension plan that shares risks between entities under common control. In accordance with International Accounting standard ('IAS') 19, Employee Benefits, the scheme has been accounted for as a defined benefit scheme by NGED South West and NGED South Wales as these businesses have legal responsibility for the plan. As there is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan to individual group entities, the Company accounts for its ongoing contributions to the scheme as if it were a defined contribution scheme, and charges contributions to the profit and loss account as they become payable in accordance with the rules of the scheme.

The ESPS is closed to new members. The Company also participates in a defined contribution scheme, the Western Power Pension Scheme. Contributions to this scheme are charged to the profit and loss account as they become due.

Notes to the financial statements

For the 15 months ended 31 March 2022

2. Significant accounting policies (continued)

Financial assets

Financial assets are classified as debt instruments at amortised cost, debt instruments at fair value through other comprehensive income "FVOCI", financial assets at fair value through profit and loss "FVTPL" or as equity instruments designated at FVOCI, as appropriate. The Company's financial assets include debtors. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. For financial assets at FVTPL, transaction costs are immediately recognised in the profit and loss account.

The subsequent measurement of financial assets depends on their classification as follows:

Debt instruments at amortised cost

Debt instruments that meet the hold-to-collect business model test and sole payment principal and interest "SPPI" contractual cash flow test are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the debt instruments are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes amounts owed by Group undertakings, trade debtors, other debtors and accrued income.

Impairment of financial assets

The Company has the following financial assets that are subject to IFRS 9's expected credit loss model "ECL":

Debtors

The Company applies IFRS 9's simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables.

To measure the expected credit losses, debtors have been grouped based on the days past due. The expected credit loss rates are primarily based on historical credit losses experienced. The historical loss rates are then adjusted for forward looking information, if any, on macroeconomic factors affecting the ability of the customers to pay.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as financial liabilities measured at amortised cost, as appropriate. The Company's financial liabilities include creditors. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are initially recognised at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other income and finance costs.

This category of financial assets includes amounts owed to Group undertakings, trade creditors, other creditors and accruals.

2. Significant accounting policies (continued)

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the group currently has a legally enforceable right to set off the recognised amounts; and the Company intends to either settle on a net basis or realise the asset and settle the liability simultaneously. A right of set off is the Company's legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty. The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a current legally enforceable right to set off exists.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Goodwill

Goodwill is not amortised but is subject, as a minimum, to annual tests for impairment. The initial goodwill recorded and subsequent impairment analysis require management to make subjective judgements concerning the value in use of the cash-generating units, specifically in relation to the discount rate and terminal value multiple applied at end of cash flow period. Estimates of value in use are consistent with market information and the NGED Group's plans and forecasts.

At 31 March 2022, the carrying value of goodwill amounted to £2,933,000 (2020: £2,933,000). Refer to Note 13 for sensitivity analysis and for further details on the impairment testing performed on goodwill.

There are no judgements dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

4. Turnover

Turnover represents continuing activities, all of which are considered to be one class of business. The Company operates wholly in the United Kingdom and thus all turnover is generated in the United Kingdom.

Turnover includes lease income amounting to £2,964,867 (2020: £2,654,482).

Notes to the financial statements
For the 15 months ended 31 March 2022

5. Operating expenses

The directors consider that the nature of the business is such that the analysis of expenses shown below is more informative than that set out in the formats in the Companies Act 2006.

	15 months to 31 March 2022 £000	12 months to 31 December 2020 £000
Cost of sales	5,754	5,913
Operating rent expense	5,893	5,420
Staff costs (Note 6)	8,606	6,730
Transport, travel and subsistence	459	385
Administration and other expenses	2,198	1,510
Bad and doubtful debts	(9)	24
Profit on disposal of fixed assets	-	(2)
Depreciation - (Note 11 and 12)	4,055	3,098
Amortisation of intangibles (Note 13)	175	669
Rent and rates	597	758
	27,728	24,505

Administration and other expenses include an allocation of group central costs (including auditor's remuneration of £13,259 for 15 months ended 31 March 2022 (for 12 months ended 31 December 2020: £8,503) for auditing these financial statements). There were no non-audit fees in the current or prior period.

6. Staff costs

a) Employee costs

	15 months to 31 March 2022 £000	12 months to 31 December 2020 £000
Total employee costs for the period amounted to:		
Wages and salaries	6,697	5,232
Pension costs (Note 20)	1,198	941
Social security costs	809	629
Total employee costs	8,704	6,802
Less allocated to capital expenditure	(98)	(72)
Charged to the profit and loss account	8,606	6,730

b) Number of employees

The average number of employees during the financial period was 91 (2020: 90). Employees are employed under contracts of service with affiliates; however, their time is substantially devoted to the Company.

Notes to the financial statements
For the 15 months ended 31 March 2022

6. Staff costs (continued)

b) Number of employees (continued)

	15 months to 31 March 2022 Number	12 months to 31 December 2020 Number
Commercial	13	12
Operations	78	78
Total employees	91	90

c) Directors' emoluments

The directors did not directly receive remuneration in either the current period or prior year for their services as directors of the Company as they are incidental to their roles elsewhere in the Group.

7. Interest receivable

	15 months to 31 March 2022 £000	12 months to 31 December 2020 £000
On amounts owed by Group undertakings	4	18
On restricted funds	1	2
	5	20

8. Interest payable

	15 months to 31 March 2022 £000	12 months to 31 December 2020 £000
On amounts owed to Group undertakings	16	1
Interest expense on leases	53	67
	69	68

Notes to the financial statements
For the 15 months ended 31 March 2022

9. Tax

a) Analysis of charge in the period

	15 months to 31 March 2022 £000	12 months to 31 December 2020 £000
Current tax:		
Current tax charge on profit for the period	458	611
Adjustment in respect of prior years	(1)	(2)
Total current tax charge	457	609
Deferred tax (Note 18):		
Origination and reversal of temporary differences	(38)	(121)
Impact of change in corporation tax rate	113	54
Adjustment in respect of prior years	5	(3)
Total deferred tax charge/(credit)	80	(70)
Tax charge	537	539

b) Reconciliation of the total tax charge

The tax assessed for the financial period is different to the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	15 months to 31 March 2022 £000	12 months to 31 December 2020 £000
Profit before tax	2,078	1,674
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%) :	395	318
Effects of:		
Expenses not deductible and income not taxable for tax purposes	25	172
Impact of change in corporation tax rate	113	54
Adjustment in respect of prior years	4	- 5
Tax charge	537	539

c) Change in corporation tax rate

In the Spring Budget 2021, the UK government announced an increase in the main corporation tax rate from 19% to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021. Deferred tax balances as at 31 March 2022, that are expected to reverse after 1 April 2023, have been provided for at 25%.

Notes to the financial statements
For the 15 months ended 31 March 2022

10. Dividends

	15 months to 31 March 2022 £000	12 months to 31 December 2020 £000
--	--	---

Amounts recognised as distributions to equity holders in the financial period:

Dividends at 22.14p per share (12 months to 31 December 2020: 96.8p)	1,860	8,133
--	--------------	--------------

11. Tangible fixed assets

	Network assets £000	Radio sites £000	Other assets £000	Total £000
Cost				
At 1 January 2021	22,064	3,444	2,342	27,850
Additions	2,170	-	26	2,196
Disposals	(2,583)	(132)	-	(2,715)
At 31 March 2022	21,651	3,312	2,368	27,331
Depreciation				
At 1 January 2021	12,855	1,556	1,092	15,503
Charge for the financial period	2,642	224	227	3,093
Disposals	(2,583)	(132)	-	(2,715)
At 31 March 2022	12,914	1,648	1,319	15,881
Net book value				
At 31 March 2022	8,737	1,664	1,049	11,450
At 31 December 2020	9,209	1,888	1,250	12,347

Networks assets comprise mainly fibre optic cables and telecommunications equipment from which capacity is sold to customers under operating lease agreements (note 22). Certain items used within the business, such as computer equipment, are owned by other Group companies for which the Company is charged.

Other assets comprise mainly vehicles and property. The net book value of freehold land and buildings amounts to £338,000 and £384,000 respectively.

Notes to the financial statements

For the 15 months ended 31 March 2022

12. Right-of-use-assets

	Radio sites £000	Fibres £000	Total £000
At 1 January 2020	152	2,497	2,649
Additions / (disposals)	2	9	11
Depreciation	(28)	(740)	(768)
At 31 December 2020	126	1,766	1,892
At 1 January 2021	126	1,766	1,892
Additions / (disposals)	98	60	158
Depreciation	(38)	(924)	(962)
At 31 March 2022	186	902	1,088

13. Intangible assets

	Goodwill £000	Contracts £000	Software £000	Total £000
Cost				
At 1 January 2021 and 31 March 2022	2,933	6,160	95	9,188
Amortisation				
At 1 January 2021	-	5,995	81	6,076
Charge for the financial period	-	165	10	175
At 31 March 2022	-	6,160	91	6,251
Net book value				
At 31 March 2022	2,933	-	4	2,937
At 31 December 2020	2,933	165	14	3,112

Goodwill acquired through business combinations has been allocated to one cash-generating unit "CGU". This represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

In assessing whether goodwill has been impaired, the carrying amount of the CGU (including goodwill) is compared with the recoverable amount of the CGU. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be the value in use.

The recoverable amount of the Company's CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets reviewed by management covering a five-year period.

The key assumptions for the value in use calculation are those regarding the discount rate, expected cash flows arising from revenues, direct costs, and capital expenditure during the period, and the growth rate used to extrapolate cash flows beyond the budget period.

13. Intangible assets (continued)

The discount rate applied to cash flow projections is 12.0% (2020: 12.0%).

At 31 March 2022, the Company's recoverable amount exceeded its carrying amount by £22.3m (2020: £35.4m).

	Reduction in value in use 2022 £000
Reasonable possible changes in key assumptions:	
1.0% increase in the discount rate to 13.0%	4,450
1.0% decrease in terminal value growth rate to 3.0% at 31 March 2024	3,373
	<hr/> 7,823 <hr/>

An increase in discount rate by 11.0% to 23.0% would cause goodwill to be impaired.

Goodwill will not be impaired even at a 0% terminal value growth rate.

14. Debtors

	31 March 2022 £000	31 December 2020 £000
Amounts falling due within one year:		
Amounts owed by Group undertakings	2,494	2,348
Trade debtors	1,320	2,111
Other debtors	59	-
Prepayments	1,300	2,148
Accrued income	108	429
	<hr/> 5,281 <hr/>	<hr/> 7,036 <hr/>
Amounts falling due after more than one year:		
Prepayments	48	56
	<hr/> 5,329 <hr/>	<hr/> 7,092 <hr/>

The amounts owed by Group undertakings accrue interest at the Bank of England base rate applicable at the time and are unsecured and repayable on demand. The Bank of England rate has fluctuated throughout the period.

15. Cash at bank

All of the cash at bank is restricted. The cash can be accessed on demand but is not readily available for the general purposes of the Company. This restrictions relate to the minimum cash balances that are required to be maintained for regulatory purposes. The Company is required to ensure that sufficient funds are available to meet the Specified Liabilities which arise on or before the date on which a Relevant Event occurs or may arise at any time during the Liability Period from the exercise of rights conferred upon the Company by paragraph 9 of the Electronic Communications Code.

Notes to the financial statements
For the 15 months ended 31 March 2022

16. Creditors

	31 March 2022 £000	31 December 2020 £000
Amounts falling due within one year:		
Amounts owed to Group undertakings	-	130
Group tax relief payable	306	1,080
Trade creditors	428	152
Value added tax	198	484
Accruals	296	700
Deferred income	3,494	4,635
	4,722	7,181
Amounts falling due after more than one year:		
Deferred income	442	574
	5,164	7,755

Amounts owed to Group undertakings accrue interest at the Bank of England base rate and are unsecured and repayable on demand. The Bank of England rate has fluctuated throughout the year.

17. Lease liabilities

	31 March 2022 £000	31 December 2020 £000
At 1 January 2021	1,896	2,638
Additions	158	11
Payments during the financial period	(1,020)	(820)
Interest expense	53	67
At 31 March 2022	1,087	1,896
of which		
Current	558	801
Non-current	529	1,095

The Company leases in rights to capacity on third party fibre optic networks, and space and equipment at third party telecommunication sites, under non-cancellable operating lease arrangements, in order to extend its core fibre network for its point to point transmission services. The leases have various terms, escalation clauses and renewable rights. Lease terms and rentals to be paid during the lease term are defined within the agreement. In some cases, lease rentals may be subject to a rent review on dates specified within the agreement at the prevailing market rate. Future minimum rentals payable are determined based on the remaining non-cancellable lease term and current rentals agreed as per the latest rent review.

Short-term leases are excluded from recognition on the balance sheet. The amount of expense charged to operating rent expense pertaining to short term leases amounts to £317,000 for the 15 months ended 31 March 2022 (for 12 months ended 31 December 2020: £504,000).

Notes to the financial statements
For the 15 months ended 31 March 2022

18. Deferred tax

	Accelerated capital allowances	
	2022	2020
	£'000	£'000
At 1 January 2021	390	460
Charge/(credit) to profit and loss	80	(70)
At 31 March 2022 / 31 December 2020	470	390

19. Other provisions

	2022	2020
	£'000	£'000
At 1 January 2021	-	307
Charge to profit and loss	-	-
Settled during the financial period	-	(307)
At 31 March 2022	-	-

The amounts as at 31 December 2020 were provided in 2019 in respect of a claim from a supplier and were settled during the year ended 31 December 2020.

20. Pension commitments

Defined benefit scheme

The Company participates in one defined benefit pension scheme, a section of the ESPS, to which most employees in the Group in the South West of England and South Wales belong, and which has approximately 9,302 members. The ESPS is a group defined benefit pension plan that shares risks between entities under common control. The ESPS is closed to new members.

There is no contractual agreement or stated policy for charging the net defined benefit cost and, therefore, NGED (South West) and NGED (South Wales), fellow subsidiaries of the Company that are jointly responsible for the scheme, recognise the whole of the scheme surplus or deficit in their financial statements, allocated in accordance with pensionable salaries. In accordance with IAS 19 (Revised 2011), the Company recognises a cost equal to its contribution payable for the period, which in the 15 months ended 31 March 2022 was £930,000 (2020: £769,000).

Further details of the Group defined benefit scheme are disclosed in the consolidated financial statements of Western Power Distribution plc, which are available as disclosed in Note 24 below.

Defined contribution scheme

The Company also participates in a defined contribution scheme, the Western Power Pension Scheme. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. The total cost charged to income of £268,000 (2020: £173,000) represents contributions payable to this scheme by the Company at rates specified in the rules of the plan.

Notes to the financial statements
For the 15 months ended 31 March 2022

21. Share capital

	2022 £000	2020 £000
Issued and fully paid:		
8,400,002 (2020 : 8,400,002) ordinary shares of £1 each	8,400	8,400

The shares entitle the holders thereof to one vote per share held. Each share ranks equally for any dividend declared and any distribution made on a winding up. The shares are not redeemable. All shares are held by National Grid Electricity Distribution Network Holdings Limited (formerly WPD Distribution Network Holdings Limited).

22. Capital and other commitments

Capital commitments

There was £81,619 worth of capital expenditure contracted for at the balance sheet date that was not recognised in the financial statements (31 December 2020: £925,465).

Operating lease commitments - Company as lessor

The Company leases out rights to capacity on its fibre optic network. The leases have a lease term between 2 to 20 years and have various terms, escalation clauses and renewable rights.

The maturity analysis of operating leases at 31 March 2022 and 31 December 2020 is as follows:

	2022 £000	2020 £000
Year 1	1,019	1,285
Year 2	982	1,285
Year 3	794	1,038
Year 4	457	898
Year 5	369	482
Year 6 and onwards	3,395	3,875
	7,016	8,863

23. Events after the reporting period

Subsequent to the year end, no dividend has been paid or proposed by the directors.

On 20 September 2022, the name of the Company was changed from WPD Telecoms Limited to National Grid Telecoms Limited.

Notes to the financial statements

For the 15 months ended 31 March 2022

24. Ultimate parent undertaking

The immediate parent undertaking of the Company is National Grid Electricity Distribution Network Holdings Limited (formerly WPD Distribution Network Holdings Limited) which is registered in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by National Grid Electricity Distribution plc (formerly Western Power Distribution plc), which is registered in England and Wales. Copies of its financial statements may be obtained from the Company's registered office as stated below.

Until 13 June 2021, the largest group in which the results of the Company were consolidated was that headed by PPL Corporation, incorporated in the United States of America, which was the ultimate parent undertaking and controlling party. Copies of its accounts may be obtained from its registered address at Two North Ninth Street, Allentown, Pennsylvania, PA18101-1179, US. On 14 June 2021, PPL completed the sale transaction of its UK investment in the Group to National Grid Plc. On completion of the sale, the ultimate controlling parent of the Company became National Grid Plc, registered in England and Wales.

As at 31 March 2022, the largest group which includes the Company and for which consolidated financial statements are prepared is National Grid plc, registered in England and Wales. Copies of these consolidated financial statements can be obtained from the Company Secretary, National Grid plc, 1-3 Strand, London WC2N 5EH.

National Grid Telecoms Limited
(formerly WPD Telecoms Limited)
Avonbank
Feeder Road
Bristol
BS2 0TB

Telephone : 0117 933 2000

email: telecoms.sales@nationalgrid.co.uk