

Registration number: 2891435

UK Power Networks (Transport) Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2022



UK POWER NETWORKS (TRANSPORT) LIMITED

CONTENTS

	Pages
Company Information	1
Strategic Report	2 to 5
Directors' Report	6 to 7
Statement of Directors' Responsibilities	8
Independent Auditor's Report	9 to 13
Profit and Loss Account	14
Statement of Comprehensive Income	14
Balance Sheet	15
Statement of Changes in Equity	16
Notes to the Financial Statements	17 to 25

UK POWER NETWORKS (TRANSPORT) LIMITED

COMPANY INFORMATION

Directors Andrew John Hunter
 Basil Scarsella
 Loi Shun Chan

Company Secretary Andrew Pace

Registered office Newington House
 237 Southwark Bridge Road
 London
 SE1 6NP
 United Kingdom

Auditor Deloitte LLP
 Statutory Auditor
 1 New Street Square
 London
 EC4A 3HQ
 United Kingdom

UK POWER NETWORKS (TRANSPORT) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022

The Directors present their Strategic Report for the year ended 31 March 2022.

Principal activity

The principal activity of UK Power Networks (Transport) Limited (the "Company") is to provide transport services to the UK Power Networks group ("the Group") which owns and operates electricity distribution networks in London, the South East and the East of England serving over eight million connected homes and businesses.

Review of the business

The results for the year amounted to a profit before taxation of £747,000 (2021: loss before taxation of £1,184,000) and a profit after taxation of £447,000 (2021: loss after taxation of £999,000).

No dividends were paid in the year (2021: £nil).

Key performance indicators (KPI's)

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

	2022	2021
Financial performance		
Turnover (£000)	35,537	32,434
EBITDA (Profit before interest, tax, depreciation, amortisation) (£000)	11,490	9,433
Capital expenditure (£000)	10,685	14,581
Non-financial performance		
Lost time incidents (LTIs)		
LTIs - Injuries at work resulting in lost time of one day or more	-	-

Financial performance

Financial performance indicators represent the key financial metrics that reflect the financial health of the business.

Compared to the prior year, EBITDA has increased by £2,057,000 driven by an increase in turnover of £3,103,000 partially offset by an increase in operating costs. Capital expenditure has decreased from £14,581,000 to £10,685,000. The Company continues to renew its vehicle fleet to meet the transport requirements of the Group.

UK POWER NETWORKS (TRANSPORT) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022

Financial performance continued

EBITDA as an alternative performance measure

The EBITDA measure excludes the effect of interest, taxation, depreciation and amortisation from earnings and thus reflects the operational performance of the business. The closest statutory measure is operating profit which is reconciled to EBITDA as follows:

	2022	2021
Operating profit/(loss) (£000)	793	(1,099)
Depreciation of tangible fixed assets (£000) (note 5)	10,697	10,532
EBITDA (£000)	11,490	9,433

The operating profit/(loss) is presented in the profit and loss statement and depreciation on tangible fixed assets is disclosed in note 5 to the financial statements. Removing the effect of depreciation and amortisation from operating profit provides a clearer measure of operating efficiencies within the business.

Non-financial performance

The key non-financial performance indicator relates to safety. A lost time incident is recorded if an employee or contractor suffers an injury at work which results in lost time of one day or more. In order to reinforce the importance which the Group places on safety, a comprehensive safety awareness campaign for all operational staff is ongoing.

No lost time incidents occurred in the current or prior year.

Principal risks and uncertainties

As well as the opportunities the Company has to grow and develop its business, certain risks and uncertainties are faced in achieving its objectives.

There are a variety of mechanisms in place to minimise these risks, which are implemented on a group wide basis. The Group has an embedded risk awareness culture to understand and manage significant business risks. The Group's risk management framework sets out policies, procedures and responsibilities designed to assess, mitigate, monitor and report risks.

A subcommittee of the Group Board, the Risk Management and Compliance committee, oversees the risk management function and makes annual assessments of changes to significant risks and the effectiveness of the risk management processes.

UK POWER NETWORKS (TRANSPORT) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022

Principle risks and uncertainties continued

The Company's principal risks and uncertainties are set out below.

Health and safety

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

The Group aims to create and foster a culture in which safety is the highest priority in the minds of all of its employees. The Group maintains accreditation to 45001 (Health & Safety Management).

Information Technology (IT)

A cyber security breach or failure of the Group's core systems, applications or associated IT processes could have a significant impact on the Company's ability to operate. Data breaches could result in legislative non-compliance with resulting financial penalties and reputational damage.

The Company benefits from the Group's Cyber Security Improvement Programme which operates to reduce risks, strengthen controls and maintain compliance with changes in standards and legislation. Activities are focused across three domains: operating a cyber security management system; maintaining cyber hygiene; and proactive testing of resilience. All security policies and standards are closely aligned to ISO 27001 and are compliant with the requirements of applicable legislation.

The Group operates a training programme to see that all its staff are aware of cyber risks and know how to minimise and manage those risks, as well as how to respond in the event of a suspected breach.

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The Group observes formal risk management policies and procedures and promotes a robust control environment at all levels of the organisation, to manage financial risk.

The key financial risk is that the proceeds from financial assets are not sufficient to fund financial obligations as they fall due. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the most relevant financial risks are credit and liquidity risk.

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

Future developments

The Directors expect the Company to maintain a consistent level of performance in the future, focusing on the renewal of its vehicle fleet to meet the transport requirements of the Group.

UK POWER NETWORKS (TRANSPORT) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022

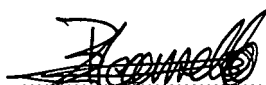
Going concern

The Company has net current liabilities of £13,926,000 at 31 March 2022 (2021: £15,027,000). The Directors do not consider there to be a going concern risk for the following reasons:

- During the year the Company made profit after tax of £447,000.
- The Company has no debt or covenant obligations with third parties outside the Group. If funding is required to support cash flows, this can be done through intercompany loan arrangements from within the Group which has a strong liquidity position;
- The Company has an overall net asset position of £29,757,000;
- The Company performs essential services for the UK Power Networks group. The parent of the Group, UK Power Networks Holdings Limited, has confirmed that it will provide the necessary support to enable the Company to meet its obligations when they fall due for a period not less than twelve months from the date of approval of these financial statements.

The Company's forecasts and projections, taking into account reasonably possible changes in trading performance show that the Company has adequate resources to continue operating for the foreseeable future. Accordingly, the Directors are satisfied it is appropriate to adopt the going concern basis of accounting in the preparation of these financial statements.

Approved by the Board on 16 August 2022 and signed on its behalf by:



Basil Scarsella
Director

Newington House
237 Southwark Bridge Road
London
SE1 6NP
United Kingdom

UK POWER NETWORKS (TRANSPORT) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2022

The Directors present their Annual Report including the Audited Financial Statements of the Company for the year ended 31 March 2022.

Details of the Company's risk management objectives and policies, future developments and going concern are included in the Strategic Report and form part of this report by cross reference.

Political contributions

The Company made no political donations in the current or prior year.

Directors of the Company

The Directors who held office during the year were as follows:

Andrew John Hunter

Basil Scarsella

Loi Shun Chan

None of the Directors had a service contract with the Company in the current or prior year.

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

Disclosure of information to Auditor

Each of the persons who is a director of the Company at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Auditor

The Auditor, Deloitte LLP, is deemed reappointed under section 487(2) of the Companies Act 2006.

UK POWER NETWORKS (TRANSPORT) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2022

Approved by the Board on 16 August 2022 and signed on its behalf by:

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

Basil Scarsella
Director

UK POWER NETWORKS (TRANSPORT) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

UK POWER NETWORKS (TRANSPORT) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK POWER NETWORKS (TRANSPORT) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of UK Power Networks (Transport) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 18 including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", (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.

UK POWER NETWORKS (TRANSPORT) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK POWER NETWORKS (TRANSPORT) LIMITED

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.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK POWER NETWORKS (TRANSPORT) LIMITED

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, 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 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 and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework 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, pensions legislation, 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.

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

UK POWER NETWORKS (TRANSPORT) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK POWER NETWORKS (TRANSPORT) LIMITED

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 legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of the internal audit.

Report on other legal and regulatory requirements

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

UK POWER NETWORKS (TRANSPORT) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK POWER NETWORKS (TRANSPORT) LIMITED

Matters on which we are required to report by exception

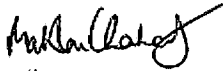
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



.....
Makhan Chahal (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Statutory Auditor

London
United Kingdom

16 August 2022

UK POWER NETWORKS (TRANSPORT) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £ 000	2021 £ 000
Turnover	4	35,537	32,434
Operating expenses		<u>(34,744)</u>	<u>(33,533)</u>
Operating profit/(loss)	5	793	(1,099)
Interest receivable and similar income	8	1	2
Interest payable and similar charges	9	<u>(47)</u>	<u>(87)</u>
Profit/(loss) before tax		747	(1,184)
Taxation	10	<u>(300)</u>	185
Profit/(loss) for the year		<u><u>447</u></u>	<u><u>(999)</u></u>

The above results were derived from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	2022 £ 000	2021 £ 000
Profit/(loss) for the year	<u>447</u>	<u>(999)</u>
Total comprehensive income for the year	<u><u>447</u></u>	<u><u>(999)</u></u>

The notes on pages 17 to 25 form an integral part of these financial statements.

UK POWER NETWORKS (TRANSPORT) LIMITED

BALANCE SHEET AS AT 31 MARCH 2022

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Tangible assets	11	44,619	44,880
Current assets			
Debtors falling due within one year	12	5,269	4,394
Cash at bank and in hand		373	543
		<u>5,642</u>	<u>4,937</u>
Creditors: Amounts falling due within one year	13	<u>(19,568)</u>	<u>(19,964)</u>
Net current liabilities		<u>(13,926)</u>	<u>(15,027)</u>
Total assets less current liabilities		30,693	29,853
Provisions for liabilities	14	<u>(936)</u>	<u>(543)</u>
Net assets		<u>29,757</u>	<u>29,310</u>
Capital and reserves			
Called up share capital	16	1,250	1,250
Profit and loss account	16	<u>28,507</u>	<u>28,060</u>
Total shareholders' funds		<u>29,757</u>	<u>29,310</u>

The financial statements of UK Power Networks (Transport) Limited, registered number 2891435, were approved by the Board of Directors and authorised for issue on 16 August 2022. They were signed on its behalf by:



Basil Scarsella
Director

The notes on pages 17 to 25 form an integral part of these financial statements.

UK POWER NETWORKS (TRANSPORT) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2020	1,250	29,059	30,309
Loss for the year	-	(999)	(999)
Total comprehensive income	-	(999)	(999)
At 31 March 2021	1,250	28,060	29,310

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2021	1,250	28,060	29,310
Profit for the year	-	447	447
Total comprehensive income	-	447	447
At 31 March 2022	1,250	28,507	29,757

The notes on pages 17 to 25 form an integral part of these financial statements.

UK POWER NETWORKS (TRANSPORT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1 General information

UK Power Networks (Transport) Limited (the "Company") is incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The principal activities of the Company and the nature of the Company's operations are set out in the Strategic Report on pages 2 to 5. The address of the registered office is:

Newington House
237 Southwark Bridge Road
London
SE1 6NP
United Kingdom

2 Accounting policies

The principal accounting policies adopted by the Company are set out below. They have all been applied consistently throughout the current and prior year.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council (FRC).

The functional currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company has taken advantage of certain exemptions in its financial statements on the basis that it meets the definition of a "qualifying entity" under FRS 102 being:

"a member of a group where the parent of that Group (UK Power Networks Holdings Limited) prepares publicly available consolidated financial statements which are intended to give a true and fair view and the member (the Company) is included in the consolidation".

The Company has therefore taken the exemption not to present a cash flow statement and not to disclose related party transactions with other wholly owned members of the Group.

Going concern

As discussed in the Strategic Report the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

Tangible assets

Tangible assets are stated at historical cost, net of depreciation and provision for impairment. The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

UK POWER NETWORKS (TRANSPORT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2 Accounting policies (continued)

Depreciation

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Asset class	Depreciation rate
Vehicles	5 to 10 years
Furniture, fixtures and equipment	5 years

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly within the same component of other comprehensive income.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is provided for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses. Provision is made for gains on re-valued fixed assets only where there is a commitment to dispose of the re-valued assets and the attributable gain can neither be rolled over nor eliminated by capital losses.

Deferred tax is measured on an undiscounted basis using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and that are expected to apply to the reversal of the timing difference.

UK POWER NETWORKS (TRANSPORT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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 may be required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience or other factors that are considered to be relevant. Actual results might differ from these estimates.

In the Directors' opinion there are no critical judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in these financial statements.

4 Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing provision of transport products and services. Turnover is recognised at the point of delivery of the goods or when the service has been provided.

5 Operating profit/(loss)

Operating profit is stated after charging/(crediting):

	2022 £ 000	2021 £ 000
Depreciation expense	10,697	10,532
Profit on disposal of tangible assets	(903)	(85)
Operating lease rentals receivable on motor vehicles	<u>(24,698)</u>	<u>(23,568)</u>

Auditor's remuneration

The amount payable to Deloitte LLP was £10,500 (2021: £10,200) in respect of audit services and £Nil (2021: £Nil) in respect of non-audit services. Auditor's remuneration was borne in both years by another group company.

6 Staff costs

The Company had no employees in the current or prior year.

All staff providing a service to the Company have service contracts with UK Power Networks (Operations) Limited and are paid by that Company. Employment costs are recharged monthly to the Company and the charge in the year was £1,601,000 (2021: £1,540,000).

UK POWER NETWORKS (TRANSPORT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

7 Directors' remuneration

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

8 Other interest receivable and similar income

	2022	2021
	£ 000	£ 000
Other interest receivable	<u>1</u>	<u>2</u>

9 Interest payable and similar charges

	2022	2021
	£ 000	£ 000
Interest payable on loans from Group undertakings	<u>47</u>	<u>87</u>

UK POWER NETWORKS (TRANSPORT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

10 Taxation

Tax on profit on ordinary activities

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	(80)	454
Adjustments in respect of prior years	<u>(13)</u>	<u>(50)</u>
Total current taxation	<u>(93)</u>	<u>404</u>
Deferred taxation		
Origination and reversal of timing differences	204	(634)
Effect of increase in tax rate on opening liability ¹	176	-
Adjustments in respect of prior years	<u>13</u>	<u>45</u>
Total deferred taxation	<u>393</u>	<u>(589)</u>
Total tax charge/(credit)	<u><u>300</u></u>	<u><u>(185)</u></u>

¹ Impact of increase in deferred tax rate from 19% to 25% discussed further below.

The total tax assessed for the year was lower than the standard rate of 19% (2021: 19%) applied to profit before tax. The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit/(loss) before tax	<u>747</u>	<u>(1,184)</u>
Corporation tax at standard rate	142	(225)
Expenses not deductible for tax purposes	(67)	45
Deferred tax expense relating to changes in tax rates or laws	225	-
Adjustments to current tax in respect of prior years	(13)	(50)
Adjustments to deferred tax in respect of prior years	<u>13</u>	<u>45</u>
Total tax charge/(credit)	<u><u>300</u></u>	<u><u>(185)</u></u>

UK POWER NETWORKS (TRANSPORT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

10 Taxation (continued)

Tax rate changes

The current tax rate applied during the year was 19% (2021: 19%) and deferred tax was calculated at 25% (2021: 19%) based on the standard rate of corporation tax substantively enacted at the reporting date.

The standard rate of corporation tax is set to increase from 19% to 25% with effect from 1 April 2023, as substantively enacted in the Finance Bill 2021 on 24 May 2021. Revaluing the opening deferred tax balance at 25% has increased the tax charge in the current year by £176,000.

11 Tangible assets

	Furniture, fittings and equipment £ 000	Motor vehicles £ 000	Total £ 000
Cost			
At 1 April 2021	3,823	86,044	89,867
Additions	280	10,405	10,685
Disposals	(41)	(6,516)	(6,557)
At 31 March 2022	4,062	89,933	93,995
Depreciation			
At 1 April 2021	1,686	43,301	44,987
Charge for the year	359	10,338	10,697
Eliminated on disposal	(22)	(6,286)	(6,308)
At 31 March 2022	2,023	47,353	49,376
Net book value			
At 31 March 2022	2,039	42,580	44,619
At 31 March 2021	2,137	42,743	44,880

UK POWER NETWORKS (TRANSPORT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

12 Debtors

	2022 £ 000	2021 £ 000
Amounts falling due within one year:		
Trade debtors	12	19
Amounts owed by Group undertakings	4,471	3,569
Prepayments and accrued income	765	806
Corporation tax receivable	21	-
	<u>5,269</u>	<u>4,394</u>

Amounts owed by Group undertakings comprise interest free trade balances.

13 Creditors

	2022 £ 000	2021 £ 000
Amounts falling due within one year:		
Trade creditors	3,605	3,903
Amounts owed to Group undertakings	9,046	5,000
Corporation tax	-	454
Social security and other taxes	186	112
Other creditors	75	-
Accruals and deferred income	<u>6,656</u>	<u>10,495</u>
	<u>19,568</u>	<u>19,964</u>

Amounts owed to Group undertakings comprise a loan of £9,000,000 (2021: £5,000,000) from UK Power Networks Services (Contracting) Ltd bearing interest at 0.87% (2021: 0.44%), and interest free trade balances which are settled on a monthly basis.

UK POWER NETWORKS (TRANSPORT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

14 Provisions for liabilities

	Deferred tax £ 000
At 1 April 2021	543
Credited to profit and loss account	<u>393</u>
At 31 March 2022	<u><u>936</u></u>

Analysis of deferred tax

	2022 £ 000	2021 £ 000
Differences between accumulated depreciation and capital allowances	938	545
Other timing differences	<u>(2)</u>	<u>(2)</u>
Net deferred tax liability	<u><u>936</u></u>	<u><u>543</u></u>

15 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £12,100,000 (2021: £4,800,000).

16 Called up share capital and reserves

	2022 £ 000	2021 £ 000
Share capital: Allotted, called up and fully paid		
1,250,002 ordinary shares of £1 each	<u><u>1,250</u></u>	<u><u>1,250</u></u>

Reserves

The Company's profit and loss account represents cumulative profits or losses net of dividends paid.

UK POWER NETWORKS (TRANSPORT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

17 Related party transactions

The Company has taken an exemption under FRS 102 (section 33 2.2) not to disclose transactions with other wholly owned members of the Group. The Company qualifies for this exemption on the basis that it is a wholly owned subsidiary of a parent which prepares publicly available consolidated financial statements intended to give a true and fair view of the financial position and results of the Group, and the Company is included within the consolidation. No other related party transactions were entered into during the current or prior year.

18 Parent and ultimate parent undertaking

The Company's immediate parent is UK Power Networks Services Holdings Limited, incorporated in the United Kingdom and registered in England and Wales at the following address:

Newington House
237 Southwark Bridge Road
London
SE1 6NP

UK Power Networks Services Holdings Limited is the parent of the smallest group in which the Company's financial statements are consolidated.

The ultimate controlling party and parent of the largest group in which the Company's financial statements are consolidated is UK Power Networks Holdings Limited, incorporated in the United Kingdom and registered in England and Wales at the above address.

Copies of the financial statements of UK Power Networks Holdings Limited and UK Power Networks Services Holdings Limited may be obtained from the Company Secretary at Energy House, Carrier Business Park, Hazelwick Avenue, Three Bridges, Crawley, West Sussex, RH10 1EX.

UK Power Networks Holdings Limited is owned by a consortium comprising:

- **CK Infrastructure Holdings Limited** (40% shareholding) incorporated in Bermuda;
- **Power Assets Holdings Limited** (40% shareholding) incorporated in Hong Kong; and
- **CK Asset Holdings Limited** (20% shareholding) incorporated in the Cayman Islands.

The 20% share now held by CK Asset Holdings Limited was previously owned by Li Ka-Shing Foundation Limited incorporated in Hong Kong. The transfer of ownership took place on 21 May 2021.

In the Directors' opinion, UK Power Networks Holdings Limited has no single controlling party as it is jointly controlled by the consortium.