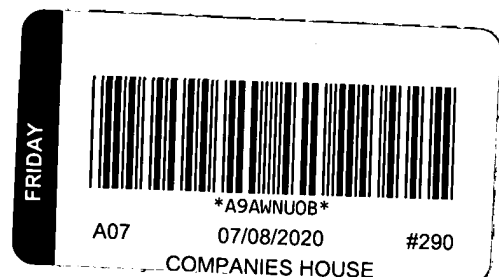


Registration number: 2965182

# UK Power Networks Services (Commercial) Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2020



## **UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED**

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**UK POWER NETWORKS SERVICES (COMMERCIAL) 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 SERVICES (COMMERCIAL) LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Directors present their Strategic Report for the year ended 31 March 2020.

#### Principal activity

The principal activity of UK Power Networks Services (Commercial) Limited (the "Company") is the supply of electrical contracting services.

#### Ownership

The Company is a wholly owned subsidiary of the group headed by UK Power Networks Holdings Limited, ("the Group") which owns and operates electricity distribution networks in London, the South East and 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 £5,321,000 (2019: £3,582,000) and a profit after taxation of £4,147,000 (2019: £2,724,000).

No dividends were paid in the current or prior year.

#### 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:

	2020	2019
<b>Financial performance</b>		
Turnover (£000)	52,488	61,269
EBITDA (Profit before interest, tax, depreciation and amortisation) (£000)	5,410	3,725
<b>Non-financial performance</b>		
<b>Lost time incidents (LTIs)</b>		
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. Reduced activity on certain contracts which are nearing completion, has lowered turnover by £8,781,000 to £52,488,000. EBITDA has improved by £1,685,000 reflecting the reduction in costs associated with lower work volumes.

The EBITDA measure excludes the effect of interest, taxation, depreciation and amortisation from earnings and is therefore relevant in monitoring the operational performance of the business. As there is no depreciation or amortisation charge in the current or prior year, EBITDA is equivalent to the operating profit presented in the profit and loss statement.

## UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

#### Key performance indicators continued

##### Non financial performance

The key non-financial performance indicator relates to safety. Working with electricity is potentially a dangerous activity with electrocution and falling from height presenting the most serious risks. 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 is regularly ongoing for all operational staff. Safety procedures and training have been updated and adapted in response to the COVID-19 pandemic to protect employees in the workplace and where they come into contact with members of the public or contractors. No lost time incidents occurred during 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. 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. Such an incident could lead to prosecution or a fine and have an adverse impact on the reputation of the Company.

##### *Network assets*

There is a risk of faults on the electricity networks resulting in a loss of supply of electricity to customers. Continuity and quality of supply are important customer requirements and poor performance in these areas can result in financial penalties. A significant incident could cause adverse publicity and impact negatively on the reputation of the Company.

##### *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. Business operations could be affected and data breaches could result in legal or regulatory non-compliance with resulting financial penalties and reputational damage.

There are a variety of mechanisms in place to minimise these risks. The Group has an embedded risk awareness culture to understand and manage significant business risks. The risk management framework sets out policies, procedures and responsibilities designed to assess, mitigate, monitor and report risks. A subcommittee of the 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.

In addition to the principal risks outlined above, the COVID-19 pandemic has been identified as an emerging risk which has heightened many of the Company's risks. The Group's risk register has been updated to specifically reference this and subsequent to year end, COVID-19 has been separately established as a Top 10 risk within the risk register. The Group has detailed and robust business continuity plans in place to deal with major events, and these have been enacted and are under constant review as a result of the developing COVID-19 situation, UK Government advice, and discussions with other bodies such as the Department for Business, Energy and Industrial Strategy. The COVID-19 crisis is not expected to materially affect the Company's performance over the long term.

## **UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020**

#### **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 Networks Services Holdings Limited.

#### **Future developments**

The Company plans to achieve long-term growth through broadening service offerings, expansion into new solutions and segments that are adjacent to current activities, and improving the efficiency of the underlying operating model.

The COVID-19 outbreak may continue to result in a significant economic slowdown, if not recession, in the months ahead and there is uncertainty in predicting the extent and duration of the effects of the pandemic on the business. The Directors expect the disruption to the business to be temporary without material effect on the long term financial position and prospects of the Company.

#### **Section 172 (1) statement**

The Directors are aware of their duties under Section 172(1) of the Companies Act 2006, which requires them to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard to, amongst other matters, the issues described in paragraphs a) to f) below.

The Company participates in a range of Group initiatives designed to benefit and foster good relationships with stakeholders. Where references are made to the Group below this refers to Group wide activities as they apply to the Company. Further detail may be found in the annual report and consolidated financial statements of the ultimate parent UK Power Networks Holdings Ltd.

#### **a) The likely consequences of any decision in the long term**

The Company operates in an industry characterised by long term investment in the future to ensure sustainable energy solutions for customers. The consequences of the Company's strategy over the long term are considered in its long term business plans and five year projections, which are updated annually.

The Group also operates a long term incentive plan for its Executive Management Team to promote achievement of sustainable, good long term performance.

## UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

#### Section 172 (1) statement continued

##### **b) The interests of the Company's employees**

The Group recognises that its employees (including the employees of the Company) are fundamental to the achievement of its objectives and to its longer term success, and has articulated being an Employer of Choice as one of the three pillars to its vision. A diverse workforce, with a range of backgrounds, abilities, skills and experience, is considered to be vital to achieving the best outcomes.

Accordingly the Group places considerable value on the engagement and involvement of its workforce, through a variety of activities and initiatives including:

- A comprehensive annual employee engagement survey in which employees provide their views on key matters pertinent to the success of the Company and their own engagement. The results of this annual survey form part of the annual Sunday Times Top 25 Best Companies To Work For, in which the Group achieved tenth position nationally in 2019.
- Employee representatives are consulted regularly on a wide range of matters affecting the current and future interests of employees through dedicated employee engagement forums.
- The Group issues communications to employees through a range of channels including Group-wide magazine publications, intranet sites, emails and social media forums. The management team engages with employees in monthly team briefings and monthly roadshows in which the Group's performance is discussed and employees have the opportunity to ask questions to the senior management team.
- Each employee undertakes performance reviews with their managers, in which their performance against their objectives is reviewed and discussed, and personal development opportunities and training identified.

##### **c) The need to foster the Company's business relationships with suppliers, customers and others**

###### *Customers*

The Company aims to create long-term strategic partnerships with its clients and deliver energy solutions which optimise existing assets and integrate new technologies to deliver improved performance and commercial benefits. Customer engagement helps build a sustainable business, as it anchors the Company to the needs and expectations of its customers and shapes its long term vision and objectives.

- The Group engages with its customers through a programme of events, forums and focus groups along with other communications such as newsletters and media campaigns.
- The Company takes the time to understand the client's business and strategic energy requirements and develop technologically advanced solutions that deliver the best outcome possible.
- Feedback is received in the form of a customer satisfaction rating from an external agency whose work includes extensive interviews and telephone surveys with clients.

The Company uses the information obtained from the above initiatives to further improve the services that it delivers.

## UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

#### Section 172 (1) statement continued

##### **c) The need to foster the Company's business relationships with suppliers, customers and others continued**

###### *Suppliers*

Good relationships with suppliers are key to delivering value efficiently and effectively. The Group operates an established procurement function which seeks to ensure fair and ethical dealings with its suppliers, and has put in place policies and practices, such as:

- The Group has published guidance to suppliers, both current and prospective, on how to operate in accordance with the Group's vision, values, and standards. It outlines its approach to business ethics and sustainable procurement and clarifies the standards and behaviours it expects to be adopted throughout the supply chain.
- The Group is a signatory to the Prompt Payment Code, which sets standards for payment practices and best practice, working towards adopting 30 day payment terms as the norm, and to avoid any practices that adversely affect the supply chain.
- The Group has formed an alliance model with key strategic partners to promote closer working relationships and common practices on shared projects.

##### **d) The impact of the Company's operations on the community and the environment**

The Company recognises its responsibility not only to deliver to the highest standards but also to be environmentally responsible and achieve a positive legacy in the communities where it operates. Being a respected and trusted corporate citizen is a key part of the Company's vision. The Company is committed to protecting the natural environment and minimising its impact on the locations in which it operates and to provide energy solutions which help clients to sustainably reduce carbon emissions.

The Group regularly engages with local community groups, councils, businesses and customers through a programme of events and forums in order to identify trends and developments, inform policies and procedures, and re-align its strategy.

The Group has launched a Green Action Plan in 2019, addressing areas where it impacts the environment, and which has defined clear objectives with deadlines to help play its part ensuring its activities are sustainable. These include:

- Raising awareness of environmental issues with employees;
- Modernising the Group's vehicle fleet;
- Reducing business travel by using other means, for example teleconferencing; and
- Energy efficiency modifications made to offices and operational buildings.

## UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

#### Section 172 (1) statement continued

e) The desirability of the Company maintaining a reputation for high standards of business conduct; and f) The need to act fairly as between members of the Company.

The Group's vision is to be a respected and trusted corporate citizen, operating within a set of values which are designed to promote high standards and fair and ethical behaviour. The Company has adopted the same vision and values to set the direction and guide the decisions taken in carrying out its business, as described below.

The Company aims to be a leading performer within the electrical contracting industry through being:

- an employer of choice;
- a respected and trusted corporate citizen including delivering high quality services to the Company's customers; and
- sustainably cost efficient.

The values of the Company underpin what the Company does. They define how the Company expects its employees to behave and how the Company wants to be perceived by its stakeholders and those who come into contact with the business.

**Integrity:** The Company will do what it says it will do and build trust and confidence by being honest to colleagues, partners and customers.

**Respect:** The Company will treat partners and customers in the way in which the Company would want to be treated.

**Continuous improvement:** The Company is committed to learning, development, innovation and achievement.

**Responsibility:** The Company will act in an ethical, safe and socially/environmentally aware manner.

**Diversity and inclusiveness:** The Company recognises and encourages the value which difference can bring.

**Unity:** The Company is stronger together and this comes from a shared vision, a common purpose, and a supportive and collaborative working environment.

The Board are committed to seeing that the vision and values are embedded in the Group, and reiterate them regularly. Internal bonus and incentive targets are based on the achievement of the vision, measuring both financial and non-financial metrics. The Group also operates a Living our Values award system, which promotes and recognises employees who demonstrate the values in their work.

Through open discussion, the vision and values are reviewed internally, and from time to time are modified to reflect the changing environment in which the Group operates. This is done through feedback from the annual employee survey, engagement with trade unions, and regular senior leadership forums.

## UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

#### Going Concern

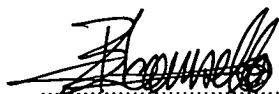
In considering the going concern basis in preparing the Annual Report and financial statements, the Directors have regard to the Company's budget for 2020 and the Company's strategic business plan which extends to 31 December 2024. In particular the following factors have been taken into account:

- the Company's existing long term contracts are profitable, providing a steady and predictable stream of revenues and cash flows; and
- the Company has considerable financial resources and no external debt.

The COVID-19 pandemic and related disruption is impacting the economic environment within the UK, including certain sectors within which the Company operates. In this period of uncertainty, it is not possible to reliably estimate the duration and overall impact of the COVID-19 pandemic. However, the Directors believe that this will be a temporary disruption and the forecast modelling has shown that the Company will remain profitable over the next 12 months, under all reasonable scenarios. The pandemic is not expected to have a material impact on the Company's long term financial position and prospects.

The Company's forecasts and projections, taking into account reasonably possible changes in trading performance including having considered the impacts of COVID-19, show that the Company has adequate resources to continue operating for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board on 4 August 2020 and signed on its behalf by:



Basil Scarsella  
Director

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

## **UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020**

The Directors present their Annual Report including the Audited Financial Statements of the Company for the year ended 31 March 2020.

Details of the Company's risk management objectives and policies, future developments, the Section 172 (1) statement on the duties of directors and the going concern statement 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.

#### **Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Employee involvement**

The Group places considerable value on the engagement and involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, various media channels and publications. Employee representatives are consulted regularly on a wide range of matters affecting the current and future interests of employees.

#### **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.

**UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020**

**Auditor**

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

Approved by the Board on 4 August 2020 and signed on its behalf by:

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

**Basil Scarsella**  
**Director**

## **UK POWER NETWORKS SERVICES (COMMERCIAL) 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 to 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 SERVICES (COMMERCIAL) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of UK Power Networks Services (Commercial) Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 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 20 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.

##### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED**

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **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 SERVICES (COMMERCIAL) LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK POWER NETWORKS SERVICES (COMMERCIAL) 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

4 August 2020

# UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £ 000	2019 £ 000
Turnover	4	52,488	61,269
Cost of sales		<u>(44,057)</u>	<u>(56,192)</u>
Gross profit		8,431	5,077
Other operating expenses		<u>(3,021)</u>	<u>(1,352)</u>
Operating profit	5	5,410	3,725
Finance costs (net)	6	<u>(89)</u>	<u>(143)</u>
Profit before tax		5,321	3,582
Taxation	9	<u>(1,174)</u>	<u>(858)</u>
Profit for the year		<u><u>4,147</u></u>	<u><u>2,724</u></u>

The above results were derived from continuing operations.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	2020 £ 000	2019 £ 000
Profit for the year	4,147	2,724
Remeasurement of net defined benefit pension liability	<u>2,503</u>	<u>1,248</u>
Total comprehensive income for the year	<u><u>6,650</u></u>	<u><u>3,972</u></u>

The components of other comprehensive income are presented net of tax related effects.

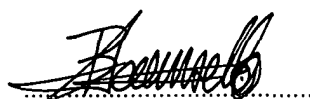
The notes on pages 18 to 35 form an integral part of these financial statements.

# UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

## BALANCE SHEET AS AT 31 MARCH 2020

	Note	2020 £ 000	2019 £ 000
<b>Fixed assets</b>			
Tangible assets	10	-	-
<b>Current assets</b>			
Stocks	11	5,063	7,043
Debtors falling due within one year	12	69,409	71,187
Debtors falling due after more than one year	12	1,673	-
Cash at bank and in hand		<u>19,729</u>	<u>14,770</u>
		<b>95,874</b>	<b>93,000</b>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(52,416)</u>	<u>(53,849)</u>
<b>Net current assets</b>		<u><b>43,458</b></u>	<u><b>39,151</b></u>
<b>Total assets less current liabilities</b>		<b>43,458</b>	<b>39,151</b>
<b>Provisions for liabilities</b>	14	<u>(8,715)</u>	<u>(11,058)</u>
<b>Net assets</b>		<u><b>34,743</b></u>	<u><b>28,093</b></u>
<b>Capital and reserves</b>			
Called up share capital	16	33,371	33,371
Profit and loss account	16	<u>1,372</u>	<u>(5,278)</u>
<b>Total shareholders' funds</b>		<u><b>34,743</b></u>	<u><b>28,093</b></u>

The financial statements of UK Power Networks Services (Commercial) Limited, registered number 2965182, were approved by the Board of Directors and authorised for issue on 4 August 2020. They were signed on its behalf by:



Basil Scarsella  
Director

The notes on pages 18 to 35 form an integral part of these financial statements.

**UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020**

	Called up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2018	<u>33,371</u>	<u>(9,250)</u>	<u>24,121</u>
Profit for the year	-	2,724	2,724
Remeasurement of defined benefit pension liability	-	1,248	1,248
Total comprehensive income	-	3,972	3,972
At 31 March 2019	<u>33,371</u>	<u>(5,278)</u>	<u>28,093</u>

	Called up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2019	<u>33,371</u>	<u>(5,278)</u>	<u>28,093</u>
Profit for the year	-	4,147	4,147
Remeasurement of defined benefit pension liability	-	2,503	2,503
Total comprehensive income	-	6,650	6,650
At 31 March 2020	<u>33,371</u>	<u>1,372</u>	<u>34,743</u>

The notes on pages 18 to 35 form an integral part of these financial statements.

## **UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

#### **1 General information**

UK Power Networks Services (Commercial) 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 8.

The address of its 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.

## UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 2 Accounting policies (continued)

##### **Tangible assets**

Tangible assets are stated at 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 assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

##### **Depreciation**

Depreciation is provided on all tangible 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:

<b>Asset class</b>	<b>Depreciation rate</b>
Furniture, fixtures and equipment	5 years

##### **Revenue recognition**

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred Income and included as part of creditors due within one year.

##### **Contract revenue recognition**

Where the outcome of a long term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

##### **Stocks**

Stocks are stated at the lower of cost and of estimated selling price less costs to sell which is equivalent to net realisable value. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity. Cost is determined using the first-in, first-out (FIFO) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

## **UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

#### **2 Accounting policies (continued)**

##### **Provisions**

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of its amount. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

##### **Leases**

Rentals payable 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.

##### **Tax**

The tax expense for the year 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 SERVICES (COMMERCIAL) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 2 Accounting policies (continued)

##### **Employee benefits**

The Company has obligations under defined benefit and defined contribution pension arrangements operated by the Group.

##### *Defined benefit*

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period as well as the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

The defined benefit schemes are funded, with the assets of the schemes held separately from those of the Group, in separate trustee administered funds. Formal actuarial valuations are undertaken by independent qualified actuaries at least triennially. Actuaries also provide valuations at each balance sheet date using a roll forward of member data from the most recent triennial valuation and reflecting updated financial and demographic assumptions. Pension scheme assets are measured at fair value and liabilities are measured using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond or equivalent currency and term to the scheme liabilities.

##### *Defined contribution*

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### 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 following represent the critical judgements and key sources of estimation uncertainty that may have a significant effect on the amounts recognised in the financial statements.

##### **Critical judgements in applying the Company's accounting policies**

In the course of preparing the financial statements, the Directors do not consider that any judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations (which are dealt separately with below), that have had a significant effect on the amounts recognised in the financial statements.

## UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 3 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Key sources of estimation uncertainty

###### *Valuation of defined benefit obligation*

The defined benefit obligation is estimated by calculating the net present value of future cash flows from the pension schemes projected many years into the future. Assumptions of future inflation rates, life expectancy, the rate of salary and pension increases are set with reference to market and economic conditions in consultation with an independent qualified actuary. The assumptions are reviewed on an ongoing basis to reflect market and demographic changes and the actual experience of the pension schemes.

Estimated future cash flows are discounted at a rate set by reference to market yields on high quality corporate bonds. Advice is sought from the actuary to determine a discount rate which falls within the norms of wider market practice.

Details of the defined benefit schemes and the assumptions used to estimate the defined benefit obligation are set out in note 15. The sensitivity analysis below indicates how changes in the significant assumptions might affect the amount of pension obligations recognised at 31 March 2020.

		Impact on scheme liabilities	
		UKPN Grp	UKPNPS
Change in assumption		2020	2020
		£m	£m
Discount rate	+/- 0.50%	-6.6% to +7.6%	-13.5% to +16.1%
RPI inflation	+/- 0.50%	+6.6% to -5.8%	+13.7% to -12.0%
Life expectancy	+/- 3yrs	+15.2% to -15.1%	+9.3% to -9.6%
Rate of salary increases	+/- 0.50%	+0.6% to -0.6%	+4.1% to -3.7%

#### 4 Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activity of electrical contracting services.

## UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 5 Operating profit

Arrived at after charging:

	2020 £ 000	2019 £ 000
Operating lease expense - property	88	88
Operating lease expense - other	259	295
Profit on disposal of property, plant and equipment	<u>-</u>	<u>(5)</u>

The amount payable to Deloitte LLP was £28,700 (2019: 24,100) in respect of audit services and £Nil (2019: £Nil) in respect of non-audit services. Auditor's remuneration was borne in both years by another group company.

#### 6 Finance costs (net)

	2020 £ 000	2019 £ 000
Net interest on defined benefit pension liabilities	<u>89</u>	<u>143</u>

#### 7 Staff costs

The aggregate payroll costs were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	9,874	9,099
Social security costs	1,279	1,137
Pension costs, defined benefit scheme	<u>1,208</u>	<u>1,329</u>
	<u>12,361</u>	<u>11,565</u>

The average number of persons employed by the Company during the year was as follows:

	2020 Number	2019 Number
Average monthly number of employees	<u>151</u>	<u>139</u>

#### 8 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.

# UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 9 Taxation

Tax charged/(credited) to the profit and loss account

	2020 £ 000	2019 £ 000
<b>Current taxation</b>		
UK corporation tax	985	768
Adjustments in respect of prior years	(3)	(12)
Total current taxation	982	756
<b>Deferred taxation</b>		
Origination and reversal of timing differences	211	100
Effect of increase in tax rate on opening balance	(12)	-
Adjustments in respect of prior years	(7)	2
Total deferred taxation	192	102
Total tax charge	1,174	858

The total tax assessed for the year was higher than the standard rate of 19% (2019: 19%) applied to profit before tax. The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	5,321	3,582
Corporation tax at standard rate	1,011	681
Expenses not deductible for tax purposes	185	199
Deferred tax credit relating to changes in tax rates	(12)	(12)
Adjustments to current tax in respect of prior years	(3)	(12)
Adjustments to deferred tax in respect of prior years	(7)	2
Total tax charge	1,174	858

### Tax rate changes

The Finance Act 2016 enacted a reduction in the UK Corporation tax rate from 19% to 17% with effect from 1 April 2020. However, within Finance Bill 2020 published on 19 March 2020, the rate from 1 April 2020 has now been enacted to remain at 19% rather than reducing it to 17%.

The current tax rate applied during the year was 19% (2019: 19%) and deferred tax was calculated at 19% (2019: 17%) based on the standard rate of corporation tax substantively enacted at the reporting date. Revaluing the opening deferred tax asset at 1 April 2019 from 17% to 19%, has reduced the tax charge in the current year by £12,000.

# UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 10 Tangible assets

	Furniture, fittings and equipment £ 000	Total £ 000
<b>Cost</b>		
At 1 April 2019	3,714	3,714
Disposals	(29)	(29)
<b>At 31 March 2020</b>	<b>3,685</b>	<b>3,685</b>
<b>Depreciation</b>		
At 1 April 2019	3,714	3,714
Eliminated on disposal	(29)	(29)
<b>At 31 March 2020</b>	<b>3,685</b>	<b>3,685</b>
<b>Net book value</b>		
<b>At 31 March 2020</b>	<b>-</b>	<b>-</b>
<b>At 31 March 2019</b>	<b>-</b>	<b>-</b>

### 11 Stocks

	2020 £ 000	2019 £ 000
Work in progress	5,063	7,043

The replacement cost of stock held by the Company at the balance sheet date was not materially different to the amount stated in the financial statements.

# UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 12 Debtors

	Note	2020 £ 000	2019 £ 000
<b>Amounts falling due within one year:</b>			
Trade debtors		4,665	2,901
Amounts owed by Group undertakings		63,501	63,425
Other debtors		6	320
Prepayments and accrued income		985	3,629
Deferred tax asset		252	912
		<u>69,409</u>	<u>71,187</u>
<b>Amounts falling due after more than one year:</b>			
Surplus in the UKPN Group defined benefit pension scheme	15	1,673	-
		<u>71,082</u>	<u>71,187</u>

Amounts owed by Group undertakings comprise an interest free loan of £63,000,000 to UK Power Networks Services (South East) Ltd and interest free trade balances, which are repayable on demand.

### Deferred tax

The movements in the deferred tax assets are set out below.

	Deferred tax £ 000
At 1 April 2019	912
Charged to profit and loss account	(192)
Charged to other comprehensive income	(468)
At 31 March 2020	<u>252</u>

### Analysis of deferred tax

The analysis of deferred tax in the year is as follows:

	2020 £ 000	2019 £ 000
Differences between accumulated depreciation and capital allowances	47	49
Other timing differences	54	45
Deferred tax relating to defined benefit pension scheme deficit	151	818
Net deferred tax asset	<u>252</u>	<u>912</u>

# UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 13 Creditors

	2020 £ 000	2019 £ 000
<b>Amounts falling due within one year:</b>		
Trade creditors	867	2,381
Amounts owed to Group undertakings	2,289	2,506
Corporation tax	1,380	1,356
Social security and other taxes	953	49
Other payables	1,235	1,240
Accruals and deferred income	45,692	46,317
	<u>52,416</u>	<u>53,849</u>

Amounts owed to Group undertakings are interest free trade balances repayable on demand.

### 14 Provisions for liabilities

	Note	2020 £ 000	2019 £ 000
<b>Defined benefit retirement obligations</b>			
UKPN Group of the ESPS (UKPN Group Scheme)	15	-	733
UK Power Networks Pension Scheme (UKPNPS)	15	2,470	4,080
		<u>2,470</u>	<u>4,813</u>
Other provisions		6,245	6,245
		<u>8,715</u>	<u>11,058</u>

Other provisions relate to legal and constructive obligations, expected to become payable within the next two years.

	Other provisions £ 000
At 1 April 2019	<u>6,245</u>
At 31 March 2020	<u>6,245</u>

## UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 15 Pension commitments

##### Defined contribution pension scheme

The Company contributes to a defined contribution pension scheme, the UK Power Networks Personal Pension Plan. This was introduced in 2011 following the closure of the Group's defined benefit schemes to new members.

Employees can opt for a contribution rate of between 3% and 5% of their salary with the employer making double this contribution. During the year the Company made contributions to the scheme amounting to £394,000 (2019: £320,000).

##### Defined benefit pension schemes

The Company contributes to two funded defined benefit pension schemes operated by the Group:

##### The UK Power Networks Group of the ESPS (the UKPN Group) scheme

This scheme is an independent section of the Electricity Supply Pension Scheme "ESPS" which was formed in 1990 following privatisation of the Electricity Industry. The UKPN Group of the ESPS has been closed to new members since 1994.

##### The UK Power Networks Pension Scheme (UKPNPS)

The UKPNPS was formed from a number of legacy arrangements with membership dating back to 1994. It has been closed to new members since 2011.

Funding levels are monitored annually and a funding schedule is formally agreed between the Group and the trustees every three years based on the most recent triennial actuarial valuation. The latest funding schedule, based on the triennial valuation as at 31 March 2019, was agreed in June 2020. The new contribution rates are considered sufficient to eliminate the funding deficits over the next six years.

A valuation under FRS 102 at the balance sheet date was provided by actuaries using rolled forward member data from the 31 March 2019 triennial valuation and reflecting updated financial and demographic assumptions. The defined benefit scheme assets and liabilities are assigned to participating entities using an allocation methodology based on employment records.

# UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 15 Pension commitments (continued)

The key financial assumptions (% per annum) used to calculate scheme liabilities at the balance sheet date are presented below for both defined benefit schemes:

	2020 %	2019 %
<b>UKPN Group key financial assumptions</b>		
Discount rate	2.6	2.5
Future salary increases	3.0	3.7
RPI inflation	2.5	3.2
CPI inflation	1.9	2.1
Pension increases in deferment	2.5	3.2
Pension increases in payment		
- pensions in excess of GMP	2.5	3.2
- post-88 GMP	1.7	1.9

	2020 %	2019 %
<b>UKPNPS key financial assumptions</b>		
Discount rate	2.5	2.5
Future salary increases	2.6	3.6
RPI inflation	2.1	3.1
CPI inflation	1.6	2.0
Pension increases in deferment		
- CPI up to 5% per annum	1.6	2.0
- CPI up to 2.5% per annum	1.6	2.0
Pension increases in payment		
- RPI up to 5% per annum	2.1	3.0
- RPI up to 2.5% per annum	1.6	2.1
- post-88 GMP	1.5	1.8

# UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 15 Pension commitments (continued)

The following life expectancies have been assumed in the calculation of scheme liabilities:

	2020 Years	2019 Years
<b>UKPN Group life expectancy assumptions</b>		
Life expectancy for male currently aged 60	26	26
Life expectancy for female currently aged 60	29	28
Life expectancy at 60 for male currently aged 40	28	28
Life expectancy at 60 for female currently aged 40	<u>30</u>	<u>30</u>

	2020 Years	2019 Years
<b>UKPNPS life expectancy assumptions</b>		
Life expectancy for male currently aged 65	22	22
Life expectancy for female currently aged 65	25	24
Life expectancy at 65 for male currently aged 45	24	23
Life expectancy at 65 for female currently aged 45	<u>26</u>	<u>26</u>

The amounts recognised in the balance sheet in respect of the defined benefit schemes are as follows:

	UKPN Grp 2020 £ 000	UKPNPS 2020 £ 000	Total 2020 £ 000	Total 2019 £ 000
Fair value of scheme assets	40,236	15,853	56,089	57,471
Present value of defined benefit obligation	<u>(38,563)</u>	<u>(18,323)</u>	<u>(56,886)</u>	<u>(62,284)</u>
Defined benefit pension scheme surplus/(deficit)	<u>1,673</u>	<u>(2,470)</u>	<u>(797)</u>	<u>(4,813)</u>

In respect of the UKPN Group scheme, the Directors are of the view that the surplus is recoverable on the basis that a right of refund exists under the scheme rules, assuming the gradual settlement of the liabilities over time until all the members have left the scheme. Based on this view, the surplus is presented as a non-current asset within Debtors (note 12).

# UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 15 Pension commitments (continued)

Amounts (charged)/credited to the profit and loss account in respect of the defined benefit schemes were as follows:

	UKPN Grp 2020 £ 000	UKPNPS 2020 £ 000	Total 2020 £ 000	Total 2019 £ 000
Current service cost	(427)	(558)	(985)	(1,009)
Reduction in scheme liabilities due to plan amendments	171	-	171	-
Net interest cost	(5)	(84)	(89)	(143)
	(261)	(642)	(903)	(1,152)
Recognised in other comprehensive income	1,534	1,437	2,971	1,503
	<u>1,273</u>	<u>795</u>	<u>2,068</u>	<u>351</u>

During the year a plan amendment was made by the trustees of the UKPN Group scheme which permitted members to exchange inflation-linked pension payments for initially higher, but non-escalating, pension payments. This resulted in an overall reduction of £171,000 to the present value of defined benefit obligations, credited to profit or loss.

Movements in the present value of defined benefit obligations in the year were as follows:

	UKPN Grp 2020 £ 000	UKPNPS 2020 £ 000	Total 2020 £ 000	Total 2019 £ 000
At 1 April	(42,263)	(20,021)	(62,284)	(61,429)
Current service cost	(427)	(558)	(985)	(1,009)
Reduction in scheme liabilities due to plan amendments	171	-	171	-
Interest cost	(1,062)	(505)	(1,567)	(1,597)
Actuarial gains/(losses)	3,174	2,887	6,061	(121)
Benefits paid/(received)	1,844	(126)	1,718	1,872
At 31 March	<u>(38,563)</u>	<u>(18,323)</u>	<u>(56,886)</u>	<u>(62,284)</u>

# UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 15 Pension commitments (continued)

Movements in the fair value of scheme assets in the year were as follows:

	UKPN Grp 2020 £ 000	UKPNPS 2020 £ 000	Total 2020 £ 000	Total 2019 £ 000
At 1 April	41,530	15,941	57,471	54,513
Interest income	1,057	421	1,478	1,454
Return on plan assets (excluding amounts included in net interest cost)	(1,640)	(1,450)	(3,090)	1,624
Contributions by employer	304	376	680	730
Deficit payments	829	439	1,268	1,022
Benefits (paid)/received	(1,844)	126	(1,718)	(1,872)
<b>At 31 March</b>	<b>40,236</b>	<b>15,853</b>	<b>56,089</b>	<b>57,471</b>

The fair value of scheme assets is analysed as follows:

	UKPN Grp 2020 £ 000	UKPNPS 2020 £ 000	Total 2020 £ 000	Total 2019 £ 000
Equities	10,477	6,492	16,969	17,283
Liability driven investments	14,368	5,497	19,865	18,543
Corporate bonds	2,613	1,713	4,326	1,507
Multi credit funds	2,962	-	2,962	3,504
Property	-	1,275	1,275	1,304
Hedge funds	-	797	797	757
Macro funds	1,522	-	1,522	4,248
Multi asset funds	8,166	-	8,166	10,115
Other	128	79	207	210
	<b>40,236</b>	<b>15,853</b>	<b>56,089</b>	<b>57,471</b>

# UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 16 Called up share capital and reserves

	2020 £ 000	2019 £ 000
<b>Share capital: Allotted, called up and fully paid</b>		
33,370,733 ordinary shares of £1 each	<u>33,371</u>	<u>33,371</u>

### Reserves

The profit and loss reserve represents cumulative profits or losses, including actuarial gains and losses on remeasurement of the net defined benefit pension liability, net of dividends paid.

### 17 Obligations under leases and hire purchase contracts

#### Operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2020 £ 000	2019 £ 000
<b>Land and buildings</b>		
- Within one year	88	88
- Between one and five years	352	352
- Over five years	<u>89</u>	<u>177</u>
	<u>529</u>	<u>617</u>
<b>Vehicles</b>		
- Within one year	275	259
- Between one and five years	393	502
- Over five years	<u>-</u>	<u>30</u>
	<u>668</u>	<u>791</u>

## UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 18 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.

#### Transactions with joint ventures

During the year the Company made sales in the ordinary course of business of £11,614,000 (2019: £11,069,000) to MUJV Ltd which is a 50% controlled joint venture of the Group. In addition the Company received a management fee from MUJV Ltd of £2,205,000 (2019: £1,480,000). Trade debtors (note 12) include £1,573,000 (2019: £1,535,000) due from MUJV Ltd and prepayments and accrued income (note 12) include £1,074,000 (2019: £952,000) relating to MUJV Ltd. Accruals and deferred income (note 13) include £43,504,000 (2019: £42,699,000) of deferred income on projects with MUJV Ltd.

No other related party transactions were entered into during the current or prior year.

#### 19 Subsequent events

##### *Response to the COVID-19 pandemic*

On 23 March 2020 the UK Government declared a national lockdown due to the uncontrolled and rapid spread of the COVID-19 virus. This followed confirmation on 11 March 2020 by the World Health Organisation that the virus was officially a pandemic. The Group's response to the pandemic from the reporting date at 31 March 2020 until the date of authorisation of the financial statements on 4 August 2020 has focused first and foremost on the safety and wellbeing of its employees and its customers, while continuing to provide reliable electricity supplies and service to customers.

In the initial phase of the lockdown, some operational work was paused primarily at the client's request, and some office-based staff worked from home where possible. Relevant policies were established or updated in accordance with Government guidelines and there were daily communications with all employees. A recovery phase was initiated during May on a prioritised basis, to resume the work paused during March and April, and to support employees in returning to the workplace over a phased period.

The financial statements for the year ended 31 March 2020 have not been adjusted to reflect any post balance sheet impact of the pandemic which is considered to be a non-adjusting subsequent event. Whilst there is uncertainty in predicting the overall impact of COVID-19, the Company's forecast modelling has shown that the Company will remain profitable over the next 12 months under all reasonable scenarios. The Directors' current assessment, as disclosed in the Going Concern statement on page 8, is that the pandemic is a temporary disruption and is not expected to have a material effect on the long term financial position and prospects of the Company.

## **UK POWER NETWORKS SERVICES (COMMERCIAL) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

#### **20 Parent and ultimate parent undertaking**

The Company's immediate parent is UK Power Networks Services (Asset Management) 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, incorporated in the United Kingdom and registered in England and Wales at the above address, 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:

- Power Assets Holdings Limited, incorporated in Hong Kong;
- Li Ka Shing Foundation Limited, incorporated in Hong Kong; and
- CK Infrastructure Holdings Limited, incorporated in Bermuda.

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