Registered number: 02731769

VATTENFALL NETWORKS LTD

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

VATTENFALL NETWORKS LTD

COMPANY INFORMATION

Directors	Donald James Stewart Dawson Karin Ifwer (appointed 1 July 2021) Jesper Karpsen
Company secretary	Darren John Reeve
Registered number	02731769
Registered office	5th Floor 70 St Mary Axe London United Kingdom EC3A 8BE
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment place London WC2N 6RH

VATTENFALL NETWORKS LTD

CONTENTS

VATTENFALL NETWORKS LTD

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

This report provides an overview of the current year performance, position and main issues that have been considered by the directors.

Principal activity

The principal activity of the Company is that of an Independent Distribution Network (electricity) Operator (iDNO) business, owning and operating electricity networks throughout mainland UK. The Company is a private company limited by shares, incorporated and domiciled in England and Wales, United Kingdom. During the year the Company's immediate and ultimate parent undertaking is Vattenfall AB, the Swedish based international utility company.

Business review

The Company is tasked with building and operating an independent electricity distribution network business connecting British homes and businesses to the electricity grid. On 1 November 2017 the company was granted an operating licence by the energy regulator, Ofgem.

The Company achieved full 'code compliance' in 2018 such that the Company can own and operate electricity networks throughout mainland UK.

The Company's revenue has increased for the year, reaching £114,167 (2020: £28,726) due to the Company having engaged with a number of new Independent Connection Providers (ICPs) during 2021. This provided a new source of projects to bid for and win. Vattenfall signed 38 new contracts in the year with a contract value of £24m for an investment of £11m. Of the 38 new contracts signed, 11 were energised and generating revenue, also resulting in an increased value of tangible assets at the year end of £1,087,829 (2020: £177,525). The remaining sites will be energised in 2022, subject to delays caused by the impact of COVID-19 to construction sites. The sales pipeline grew significantly with a value of projects circa £139m. The Company also entered the solar and battery market, energising a solar site and signing a contract with the developers of a battery site, metered at the extra High Voltage level (33KV).

The Company was building capability during the financial year and consequently made a loss for the year ended 31 December 2021 of £1,617,535 (2020: £1,496,411), resulting in a total net asset position at 31 December 2021 of £8,542,084 (2020: £10,159,619).

VATTENFALL NETWORKS LTD

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties

The principal risks and uncertainties facing the business are:

Competition risk
In 2021 the regulator allowed the introduction of 'Affiliated IDNO's' (AIDNO). An affiliated IDNO is an IDNO company set up by one of the 14 DNO's in the UK. In 2021 only one DNO set up an AIDNO company. There is a risk this increases competition in the market. Vattenfall has not, to date, experienced any competition from this AIDNO.

Regulatory risk
RIIO-ED2 is an energy policy and regulation developed by Ofgem. It sets price controls for the gas and electricity network companies of Great Britain. It enables for a fair relationship between investments, returns and the market price a company can charge customers. There is a risk from potential regulatory changes which may decrease market prices which the Company can charge customers. The RIIO-ED2 price control sets the outputs that the 14 electricity Distribution Network Operators (DNOs) need to deliver for their consumers and the associated revenues they are allowed to collect for the five-year period from 1 April 2023 to 31 March 2028. It will influence the revenues IDNOs are able to generate and the costs payable to the host DNOs.

Key performance indicators ("KPIs")

As the Company is building an operational business within mainland UK, the principle KPIs include:

- the number of asset offers made during the year (409 actual versus taget of 360);
- the number of asset offers accepted during the year (38 actual versus target of 36) and the value of the contracted revenue (£24m actual versus target of £23m);
- the number of energised sites during the year (11 in 2021 versus 1 in 2020); and
- the number of unplanned outages (0 in 2021 and 0 in 2020).

This report was approved by the board and signed on its behalf.

DocuSigned by:
Donald James Stewart Dawson
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Donald James Stewart Dawson
Director

Date: 21 July 2022

VATTENFALL NETWORKS LTD

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the audited financial statements for the year ended 31 December 2021.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

Going concern

For the purposes of assessing whether 'going concern' is an appropriate basis for preparing the financial statements, the directors have reviewed projections for the period to 31 December 2023 using assumptions which the directors consider to be appropriate to the current financial position of the Company with regards to revenue, cost of sales, borrowing and debt repayment plans.

Given the Company is in the investment stage, it relies on the support provided from its parent company, Vattenfall AB. As the Company's cash is subject to a cash pooling arrangement administered by Vattenfall AB, the directors have obtained written confirmation from Vattenfall AB that the Company's cash will be at all times available under the cash pooling arrangement to enable the Company to meet its liabilities as they fall due.

Based on these scenarios, the written confirmation obtained from Vattenfall AB and the resources available to the Company, the directors believe the Company has sufficient liquidity to manage through a range of different scenarios until at least 31 December 2023. Given the Group's strong liquidity position, the directors adopt the going concern basis in preparing the financial statements.

Results and dividends

The loss for the year, after taxation, amounted to £1,617,535 (2020: loss £1,496,411).

The dividend paid in the year is £nil (2020: £nil).

Directors

The directors who served during the year were:

Donald James Stewart Dawson
Karin Ifwer (appointed 1 July 2021)
Jesper Karpsen
Thomas Otto Schäfer (resigned 31 March 2021)

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The most important components to financial risk are credit risk, liquidity risk, price risk and cash flow risk. The Company needs to manage their investment activities and operating expenses with the cash flow received from energised projects and investment from its parent company. Therefore, the only financial risk the directors consider relevant to the Company is cash flow risk.

Future developments

The Company intends to continue to acquire new projects and is continuously reviewing its business to stay aligned to the challenging and uncertain energy market conditions. On the basis of risk analysis and adequate operational processes, we have faith that we will be able to tackle the challenges ahead and to stay on top of our operations.

Qualifying third party indemnity provisions

Certain directors benefited from qualifying third party indemnity provisions in place during the financial period and at the date of approval of this report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Post Balance Sheet events

Markets are disturbed by unrest in eastern Europe. In times of uncertainty conscious steer is given by the management to maintain sufficient funds to operate the Company. At present, the directors believe that the Company is well placed to continue without significant adverse operational or financial impact.

Across the world, multiple jurisdictions have imposed economic sanctions on Russia, Belarus and some individuals and entities deemed to be closely linked to government officials in both countries. In addition to this, companies trading with, or associated with, Russia and Belarus have engaged in boycotts and trade embargoes. The directors have considered the possible effects these could have on the Company and have determined that there is no impact to the Company.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

DocuSigned by:
Donald James Stewart Dawson
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Donald James Stewart Dawson
Director

Date: 21 July 2022

Independent auditors' report to the members of Vattenfall Networks Limited

Report on the audit of the financial statements

Opinion

In our opinion, Vattenfall Networks Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the regulatory framework for the electricity distribution market in the UK as set out by the Office of Gas and Electricity Markets (OFGEM), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- gaining an understanding of the legal and regulatory framework applicable to the company;
- enquiry of management, those charged with governance and those responsible for legal and compliance matters, including the company's in-house legal function, to identify actual and potential litigation and claims and any known or suspected instances of non-compliance with laws and regulations and fraud;
- enquiry of staff in the company's tax function to identify any instances of non-compliance with laws and regulations;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and testing accounting estimates to address the risk of management bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or

- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Kevin McGhee

Kevin McGhee (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 July 2022

VATTENFALL NETWORKS LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	As restated 2020 £
Turnover	4	**114,167**	28,726
Cost of sales		**(51,749)**	(17,206)
Gross profit		**62,418**	11,520
Administrative expenses		**(2,045,655)**	(1,909,205)
Operating loss	5	**(1,983,237)**	(1,897,685)
Interest receivable and similar income	8	**178**	-
Interest payable and similar expenses	9	**-**	(18,850)
Loss before tax		**(1,983,059)**	(1,916,535)
Tax on loss	10	**365,524**	420,124
Loss for the financial year		**(1,617,535)**	(1,496,411)
Total comprehensive expense for the year		**(1,617,535)**	(1,496,411)

The notes on pages 13 to 26 form part of these financial statements.

Prior year adjustments have been recognised and result in a decrease of £202,407 to the loss recognised. See note 17 for further detail.

VATTENFALL NETWORKS LTD
REGISTERED NUMBER:02731769

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note		2021 £		*As restated* 2020 £
Fixed assets					
Tangible assets	11		1,087,829		177,525
			1,087,829		177,525
Current assets					
Debtors: amounts falling due after more than one year	12	-		300,892	
Debtors: amounts falling due within one year	12	2,810,436		2,582,701	
Cash at bank and in hand	13	5,437,282		7,478,644	
		8,247,718		10,362,237	
Creditors: amounts falling due within one year	14	(749,995)		(380,143)	
Net current assets			7,497,723		9,982,094
Total assets less current liabilities			8,585,552		10,159,619
Provisions for liabilities					
Deferred tax	15	(43,468)		-	
			(43,468)		-
Net assets			8,542,084		10,159,619
Capital and reserves					
Called up share capital	16		15,000,002		15,000,002
Accumulated losses			(6,457,918)		(4,840,383)
Total equity			8,542,084		10,159,619

Prior year adjustments have been recognised and result in an increase of £202,407 to net assets. See note 17 for further detail.

The financial statements on pages 10 to 26 were approved by the board of directors on 21 July 2022 and signed on its behalf by:

DocuSigned by:

Donald James Stewart Dawson

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Donald James Stewart Dawson
Director

Date: 21 July 2022

The notes on pages 13 to 26 form part of these financial statements.

VATTENFALL NETWORKS LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Accumulated losses	Total equity
	£	£	£
At 1 January 2020	2	(3,343,972)	(3,343,970)
Comprehensive expense for the year			
Expense for the year (as restated)	-	(1,496,411)	(1,496,411)
Total comprehensive expense for the year (as restated)	-	(1,496,411)	(1,496,411)
Transactions with owners in their capacity as owners			
Shares issued during the year	15,000,000	-	15,000,000
Total transactions with owners	15,000,000	-	15,000,000
At 31 December 2020 and 1 January 2021 (as restated)	15,000,002	(4,840,383)	10,159,619
Comprehensive expense for the year			
Expense for the year	-	(1,617,535)	(1,617,535)
Total comprehensive expense for the year	-	(1,617,535)	(1,617,535)
At 31 December 2021	15,000,002	(6,457,918)	8,542,084

The notes on pages 13 to 26 form part of these financial statements.

A prior year adjustment has been recognised, see note 17 for further details.

VATTENFALL NETWORKS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Authorisation of financial statements

The financial statements of Vattenfall Networks Ltd (the "Company") for the year ended 31 December 2021 were approved by the board and authorised for issue on 21 July 2022 and the Balance Sheet was signed on the board's behalf by Donald James Stewart Dawson. Vattenfall Networks Ltd is a private company limited by shares, incorporated and domiciled in England and Wales, United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The financial statements are prepared using the functional and presentational currency, GBP.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Equivalent disclosures are included in the consolidated financial statements of Vattenfall AB as at 31 December 2021 and these financial statements may be obtained from the Vattenfall website, http://corporate.vattenfall.com.

2. Accounting policies (continued)

2.3 Change in accounting policy and disclosures

Unless otherwise stated, the accounting policies and method of computation adopted in the preparation of the financial statements are consistent with those of the previous year.

The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 January 2021 unless otherwise stated and the impact of adoption is described below. There are no other changes to IFRS effective in 2021 which could have a material impact on the Company.

Amendments to IFRS 9 Interest Rate Benchmark Reform

The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

2.4 Going concern

For the purposes of assessing whether 'going concern' is an appropriate basis for preparing the financial statements, the directors have reviewed projections for the period to 31 December 2023 using assumptions which the directors consider to be appropriate to the current financial position of the Company with regards to revenue, cost of sales, borrowing and debt repayment plans.

Given the Company is in the investment stage, it relies on the support provided from its parent company, Vattenfall AB. As the Company's cash is subject to a cash pooling arrangement administered by Vattenfall AB, the directors have obtained written confirmation from Vattenfall AB that the Company's cash will be at all times available under the cash pooling arrangement to enable the Company to meet its liabilities as they fall due.

Based on these scenarios, the written confirmation obtained from Vattenfall AB and the resources available to the Company, the directors believe the Company has sufficient liquidity to manage through a range of different scenarios until at least 31 December 2023. Given the Group's strong liquidity position, the directors adopt the going concern basis in preparing the financial statements.

VATTENFALL NETWORKS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.5 Revenue

The Company earns Distribution Use of System (DUoS) revenues to recover the cost of installing and maintaining local distribution networks. The DUoS charges are set in accordance with the Company's Charging Methodology and are published in the Company's Charging Statements. There are separate Charging Statements for each of the 14 Distribution Network Operators (GSP Area) and the charges change on 1 April each year.

DUoS charges are levied against meters, commonly referred to as MPANs (after Meter Point Administration Number which is a unique number given to every electricity meter in the UK), and hence the Company only earns DUoS revenues once an MPAN is energised.

The DUoS charges are invoiced to Electricity Suppliers. Invoices are calculated and issued to Electricity Suppliers following each month with 15 calendar days payment terms.

Revenue recognition

Revenues will be recognised on a monthly basis based upon fulfilment of performance obligations in accordance with IFRS 15. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and VAT.

Revenue is recognised when performance obligations have been satisfied being when the Company fulfils its contractual obligations to customers by supplying services or when it has the right to receive the income. Any payment received in advance of supplying the service is deferred until the service has been provided. There are no significant financing components included within any of the Company's revenue streams.

Revenues are partly based on consumption during the month and, as such, consumption by the end consumer will vary from month to month. Therefore, the revenues for December which are owed but have not yet been invoiced, are accrued based on the previous monthly invoices. For new projects that have recently been energised, the accrual is based on the forecast revenues. The actual invoices are calculated and issued shortly after the year end, with an adjustment made to the financial statements to recognise any differences between the accrued and actual revenue.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Interest expenses

Interest expenses are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.8 Tangible fixed assets

All tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Assets not in use are capitalised as a separate component of tangible assets. On energisation, the costs of the assets are transferred to the appropriate category. Assets not in use are not depreciated. Distribution network assets are depreciated once they are energised.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

During the year there has been a change of accounting estimate regarding the useful life of distribution network assets, from 40 years to 30 years. This is in line with market practice and has had no material impact.

The estimated useful lives range as follows:

Distribution network assets	- 30 years

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash equivalents includes amounts held on deposit with Vattenfall AB under the cash pooling arrangement.

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2. Accounting policies (continued)

2.11 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as assets at amortised cost.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less any provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the counterparty, the ageing profile of receivables and historical experience. Trade receivables are reported net and such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Balance Sheet.

2. Accounting policies (continued)

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date as well as revenues and expenses reported during the year.

Management have not made any significant judgements in applying the Company's accounting policies within the financial statements for the current year.

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

4. Turnover

	2021 £	2020 £
Income from distribution network systems	**114,167**	28,726

All turnover arose within the United Kingdom.

VATTENFALL NETWORKS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	**15,108**	3,475
Exchange differences	**759**	2,052
IT services	**104,321**	36,221
Legal and professional costs	**1,345,886**	1,590,678

A portion of the Company's costs above are recharged to other entities within the Group. The Company recharged a total of £512,714 (2020: £508,575) to Vattenfall Network Solutions Limited for salary costs and professional costs incurred by the Company.

6. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements. No other services are provided to the Company.

	2021 £	2020 £
Fees for audit services	**14,000**	9,756

7. Employees

Number of employees
The average number of employees (including directors) during the year was 8 (2020: 5).

In addition to the staff costs included below, £254,228 (2020: £210,759) were paid by the Company to employees in relation to services performed to other entities within the Group. These costs were recharged by the Company and are not included within the staff costs below.

Directors' remuneration
The directors of the Company are also employees and/or directors of the Company's shareholders and fellow subsidiaries. The directors' remuneration for the year, apportioned to the Company based on the estimated individual director representation for the Company, amounts to £163,016 (2020: £156,006). Some of the remuneration was paid by another Vattenfall Group company.

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	**424,938**	399,519
Social security costs	**34,161**	46,021
Cost of defined contribution scheme	**36,286**	36,405
	495,385	481,945

8. Interest receivable and similar income

	2021 £	2020 £
Interest receivable from group companies	**178**	-

9. Interest payable and similar expenses

	2021 £	2020 £
Interest payable to group companies	**-**	18,850

10. Tax on loss

	2021 £	*As restated* 2020 £
Corporation tax		
Current tax on profits for the year	**(711,362)**	(833,547)
Adjustments in respect of previous periods	**1,477**	231,860
	(709,885)	(601,687)
Total current tax	**(709,885)**	(601,687)
Deferred tax		
Origination and reversal of timing differences	**335,405**	470,181
Adjustment to tax charge in respect of prior periods	**(1,477)**	(207,453)
Impact of change in tax laws and rates	**10,433**	(81,165)
Total deferred tax	**344,361**	181,563
Taxation on loss	**(365,524)**	(420,124)

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	*As restated* 2020 £
Loss before tax	**(1,983,059)**	(1,916,535)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**(376,781)**	(364,142)
Effects of:		
Expenses not deductible for tax purposes	**824**	778
Adjustments to tax charge in respect of prior periods	**-**	24,405
Impact of change in tax laws and rates	**10,433**	(81,165)
Total tax credit for the year	**(365,524)**	(420,124)

A prior year tax adjustment was recognised to reflect other prior year adjustments necessary. The adjustment increased the current tax credit by £47,000 and the deferred tax credit by £478. See note 17 for further detail.

10. Tax on loss (continued)

Factors that may affect future tax charges

An intention to increase the UK corporation tax rate to 25% on profits over £250 thousand from 1 April 2023 was announced in the UK budget in March 2021. These changes were substantively enacted in May 2021. The closing net deferred tax liability has been calculated at the rate applicable for the period in which the underlying temporary differences are expected to unwind.

11. Tangible assets

	Distribution network assets £	Network assets acquired but not yet ready for use £	Total £
Cost or valuation			
At 1 January 2021 (as restated)	181,000	-	181,000
Additions	881,412	44,000	925,412
At 31 December 2021	1,062,412	44,000	1,106,412
Accumulated Depreciation			
At 1 January 2021 (as restated)	3,475	-	3,475
Charge for the year on owned assets	15,108	-	15,108
At 31 December 2021	18,583	-	18,583
Net book value			
At 31 December 2021	1,043,829	44,000	1,087,829
At 31 December 2020 (as restated)	177,525	-	177,525

A prior year adjustment was recognised to reflect a 2020 addition to the distribution network assets of £42,000. See note 17 for further detail.

VATTENFALL NETWORKS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

12. Debtors

	2021 £	*As restated* 2020 £
Due after more than one year		
Deferred tax asset	-	300,892

	2021 £	*As restated* 2020 £
Due within one year		
Amounts owed by group undertakings	2,698,095	1,641,049
Other debtors	64,233	932,591
Prepayments and accrued income	48,108	9,061
	2,810,436	2,582,701

Other debtors includes VAT receivable. In 2020 Other debtors includes corporation tax receivable of £927,546.

Prior year adjustments have been recognised and result in a decrease to Other debtors of £47,000 and a decrease to the Deferred tax asset of £478. See note 17 for further detail. In addition to this, the Deferred tax asset was reclassified as a debtor due after more than one year.

The contract assets included within the Prepayments and accrued income balance above will be paid once the invoices are calculated and issued following the month end. For the newly energised projects this may be delayed until the arrangements are finalised.

13. Cash at bank and in hand

	2021 £	2020 £
Cash at bank and in hand	5,437,282	7,478,644

The Company's cash is subject to a cash pooling arrangement administered by the ultimate parent company, Vattenfall AB.

14. Creditors: amounts falling due within one year

	2021 £	*As restated* 2020 £
Trade creditors	**249,456**	98,248
Amounts owed to group undertakings	**4,547**	189,890
Other creditors	**27,679**	-
Accruals	**468,313**	92,005
	749,995	380,143

Amounts owed to group undertakings are payable on demand and not subject to an applied interest rate.

Prior year adjustments have been recognised and result in a decrease to the accruals and deferred income figure of £207,885. See note 17 for further detail.

15. Deferred taxation

	2021 £
At beginning of year (as restated)	**300,892**
Charged to profit or loss	**(344,360)**
At end of year	**(43,468)**

The deferred tax asset is made up as follows:

	2021 £	*As restated* 2020 £
Accelerated capital allowances	**(43,469)**	(9,277)
Other temporary differences	**-**	310,169
	(43,469)	300,892

Whilst the Company is loss making in the current year, the Company's deferred tax assets at 31 December 2021 and 2020 are recognised on the basis that management consider it probable that sufficient taxable profits will arise in the future in the Company and wider UK group against which the Company's tax losses and allowances can be utilised.

A prior year tax adjustment was recognised to reflect other prior year adjustments necessary. The impact was a decrease to the deferred tax asset of £478. See note 17 for further detail.

16. Called up share capital

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
15,000,002 (2020 - 15,000,002) Ordinary shares of £1.00 each	**15,000,002**	15,000,002

17. Prior year adjustments

In preparing the 2021 financial statements, two material errors were noted that have been corrected in the comparative figures for the year ended 31 December 2020 included in these financial statements.

The addition of one project with a cost of £42,000 which had been energised and therefore should have been capitalised in accordance with the company's accounting policy was incorrectly omitted from Tangible assets at 31 December 2020. The impact of the correction is to increase Distribution network assets included in Tangible assets by £42,000 and increase Accruals included in Creditors: amounts falling due within one year by a corresponding amount at 31 December 2020. There was no impact on opening equity at 1 January 2020, the Statement of comprehensive income, or cash flows for the period.

An expense of £249,885 was incorrectly recorded in Administrative expenses in the year ended 31 December 2020 as it had already been appropriately accrued in the year ended 31 December 2019 and was therefore double counted. The impact of the correction is to decrease Administrative expenses in the Statement of comprehensive income for the year ended 31 December 2020 by £249,885 and decrease Accruals included in Creditors: amounts falling due within one year at 31 December 2020 by a corresponding amount. There was no impact on opening equity at 1 January 2020 or cash flows for the period.

To reflect the adjustments detailed above, the tax credit for the 2020 financial year was also adjusted. The adjustment credited the tax receivable included within Other debtors by £47,000 and credited the Deferred tax asset by £478. The income statement tax credit was debited by £47,478.

The classification of deferred tax assets has moved from debtors within 1 year to debtors more than 1 year in the prior year.

A summary of these corrections on the comparative financial information for the year ended 31 December 2020 is set out below:

	As originally stated £	Correction of errors £	Restated £
Tangible assets	135,525	42,000	177,525
Deferred taxation	301,370	(478)	300,892
Other debtors	979,591	(47,000)	932,591
Accruals	(299,890)	207,885	(92,005)
Equity	9,957,212	249,885	10,207,097
Administrative expenses	(2,162,565)	249,885	(1,912,680)
Taxation	467,602	(47,478)	420,124
Loss for the year	(1,698,818)	202,407	(1,496,411)

18. Post Balance Sheet events

Markets are disturbed by unrest in eastern Europe. In times of uncertainty conscious steer is given by the management to maintain sufficient funds to operate the Company. At present, the directors believe that the Company is well placed to continue without significant adverse operational or financial impact.

Across the world, multiple jurisdictions have imposed economic sanctions on Russia, Belarus and some individuals and entities deemed to be closely linked to government officials in both countries. In addition to this, companies trading with, or associated with, Russia and Belarus have engaged in boycotts and trade embargoes. The directors have considered the possible effects these could have on the Company and have determined that there is no impact to the Company.

There were no significant events after 31 December 2021 that required adjustment to or disclosure in the financial statements, other than the effects of the proposed change to the UK corporation tax rate from 19% to 25%, as disclosed in Note 10.

19. Ultimate parent undertaking and controlling party

At 31 December 2021 the immediate parent undertaking is Vattenfall AB. The directors regard Vattenfall AB, a company registered in S-162 87 Stockholm, Sweden as the Company's controlling party and ultimate parent undertaking.

The results of the Company are included in the consolidated financial statements of Vattenfall AB, the only group which consolidates the Company. The consolidated financial statements are available from the Vattenfall website, http://corporate.vattenfall.com.