LONDON POWER NETWORKS PLC

Registration number: 3929195

Interim report and condensed financial statements

for the six months ended 30 September 2024

CONTENTS

COMPANY INFORMATION

Directors

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INTERIM MANAGEMENT REPORT

About us:

Who we are
London Power Networks plc (the "Company") is a wholly owned subsidiary of the UK Power Networks Group (the "Group"). The Company is responsible for operating and maintaining the electricity distribution network in the London area for the safe, reliable and efficient electricity supply to existing customers and the timely, cost-effective connections to new customers.

What we do
As an electricity distribution network operator ("DNO"), we provide electricity infrastructure to deliver electricity supply to over 2.4 million homes and businesses. The Company operates the electricity network for people who live and work in Inner London, including the responsibility for delivering electricity to iconic buildings and businesses in London, as well as to high-profile international events held in London throughout the year.

The Company operates within a regulatory framework under licence from the Office of Gas and Electricity Markets ("Ofgem"). Ofgem works with government, industry and consumer groups to establish a regulatory framework to promote a sustainable electricity network which delivers value for customers. Ofgem sets the price control which determines what the Company can charge its customers and the level of allowed revenue. In addition, Ofgem establishes incentives for outperformance and innovation relating to outputs, including safety performance, network reliability, customer service, the environment and efficiency. The current price control RIIO-ED2, applies to the five-year period from 1 April 2023 to 31 March 2028.

In addition to allowed revenues, the Company collects income to cover the cost of connecting new customers to the network.

Operating review

Overview
The key performance indicators ("KPIs") used by the Board of Directors in their monitoring of the performance of the Company focus on the areas of safety, network performance, reliability, and customer service. During the period the Company continued to perform well in terms of Network Reliability and Customer Service which were broadly in line with the prior period. Whilst the Group continues to deliver good Safety performance, based on industry benchmarking, there was a small increase in lost time incidents ("LTIs") versus the prior year comparative period. More detail is provided in the following paragraphs.

Safety
The Group's highest priority is the safety of employees, contractors, and members of the public. The risks associated with work carried out by the Group's employees can be high, requiring robust management systems, and appropriate risk mitigation being put in place. In order to reinforce the importance which, the Group places on safety, a comprehensive safety awareness campaign is regularly undertaken for all employees, to see that safety remains front of mind at all times.

Lost time incidents ("LTIs"), defined as the number of injuries to employees or contractors which result in lost time of one day or more, is a key safety measure. The circumstances of each LTI are reported and investigated in detail with the aim of preventing the recurrence of such incidents. Findings from the investigations are used to improve training and safety procedures as well as raise awareness across the organisation.

The Group recorded 2 LTIs in the six months ended 30 September 2024 which is an increase from 1 LTI in the same period last year. The Group remains focused on seeing that safety is the highest priority and in response to the increase in LTIs has implemented additional safety measures including enhancements to its behavioural safety performance ("Stay Safe") programme as well as greater levels of field inspections and improved communications.

Network performance
The principal measures used to assess network performance are customer minutes lost ("CMLs") and customer interruptions ("CIs").

CMLs are the average length of time customers are without power for three minutes or longer and represent availability of supply. CIs, the number of interruptions per 100 customers, are an indicator of network reliability.

INTERIM MANAGEMENT REPORT continued

CMLs and CIs are measured and agreed with Ofgem on an annual basis to 31 March and presented in the Company's annual report and financial statements. Performance year to date to 30 September 2024 is broadly in line with the prior year comparative period.

Customer satisfaction
Ofgem measures customer satisfaction by surveys of customers across all licensed networks and relating to interruptions, minor connections and general enquiries. This measurement is referred to as the Broad Measure of Customer Satisfaction or "BMCS".

The Company recorded an average of 94% customer satisfaction in the six months ended 30 September 2024, which remained the same as the prior year comparative period and was ranked second out of the fourteen electricity distribution networks in Great Britain.

Customer satisfaction for low carbon technologies
For RIIO-ED2, the Group has developed an independent Low Carbon Technology Customer Satisfaction survey. The Company's average score for the six months ended 30 September 2024 was 99% (six months ended 30 September 2023: 89%).

Financial review
The Company's key financial performance indicators relating to the period under review are set out in the table below.

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m
Financial key performance indicators		
Turnover	**311.6**	227.5
EBITDA [1]	**233.5**	142.4
Profit after tax	**109.1**	36.7
Gross capital expenditure on tangible assets	**163.5**	146.4
Capital expenditure on tangible assets net of customer contributions received	**114.9**	97.2

1 EBITDA is a non-statutory measure, and is calculated by adding back amortisation and depreciation to operating profit (also discussed in subsequent paragraphs).

Overview
The Company has recorded a significant increase in financial performance in the current period. Profit after tax of £109.1m is £72.4m above the prior year comparative period of £36.7m. This reflects the benefit of higher revenues collected in the period, which derive from higher actual rates of inflation in prior regulatory periods, as explained below.

Turnover
Turnover has increased from £227.5m to £306.0m. Turnover in the current period benefited from the recovery of additional amounts relating to higher inflation, which was under-recovered in previous financial periods owing to actual rates of inflation being much higher than those assumed when revenue tariffs were set. This is not expected to continue in the next financial year given the current lower rates of inflation.

The revenue recovery on material SOLR claims in the period was £nil (six months ended 30 September 2023: £10.8m). If this reduction in SOLR revenue is excluded, turnover in the current period has increased by £89.3m compared to the prior year comparative period.

INTERIM MANAGEMENT REPORT continued

EBITDA/ Operating profit
Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by £91.1m from £142.4m to £233.5m. This is mainly the result of higher revenue due to higher tariffs.

The EBITDA measure excludes the effect of interest, taxation, depreciation and amortisation from earnings and reflects the operational performance of the business. The closest statutory measure is operating profit which is presented in the condensed profit and loss statement. Removing the effect of depreciation and amortisation from operating profit provides a clearer measure of operating performance within the business and enables comparison with industry peers. It is also the basis for certain of the Group's covenant metrics.

Operating profit is reconciled to EBITDA as follows:

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m
Operating profit	**171.7**	83.9
Depreciation of tangible assets	**59.1**	55.4
Amortisation of intangible assets	**2.7**	3.1
EBITDA	**233.5**	142.4

Profit after tax
Profit after tax of £109.1m is higher than the £36.7m in the prior year comparative period, driven primarily by higher EBITDA.

Capital expenditure
Gross capital expenditure is a measure of the Company's investment in the electricity distribution network during the year. Capital expenditure net of customer contributions, as calculated in the table below, represents a measure of the capital expenditure directly funded by the Company, excluding capital expenditure which was funded from contributions received from customers.

Gross capital expenditure on tangible assets was £163.5m, an increase of £17.1m compared to the prior year comparative period due to higher capital work volumes arising from additional investment commitments during RIIO-ED2. This expenditure relates predominantly to improvements to the electricity network. Capital expenditure net of customer contributions increased by £17.7m to £114.9m.

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m
Gross capital expenditure on tangible assets	**163.5**	146.4
Less: Customer contributions received in the period	**(48.6)**	(49.2)
Capital expenditure net of customer contributions	**114.9**	97.2

Gross capital expenditure on tangible assets is disclosed in note 7 to the condensed financial statements and customer contributions received are disclosed in note 15 to the condensed financial statements.

INTERIM MANAGEMENT REPORT continued

RAV gearing

The proportion of regulatory net debt measured against the RAV of the business reflects the capacity of the business to source additional finance. This is a key metric for the Company's covenant arrangements with pension trustees and providers of finance and is monitored on a regular basis.

The RAV gearing ratio remains within pension and bank covenant targets, the ratio decreased from 59% at 31 March 2024 to 57% at 30 September 2024. The improvement reflects the growth in the RAV, primarily due to continued investment.

	As at 30 September 2024 £m	As at 31 March 2024 £m
Regulatory asset value (RAV) [1]	**2,377.2**	2,324.3
RAV gearing [2]	**57%**	59%

1 "RAV" is the Regulatory Asset Value of the business. The values presented are based on the information available at the date the accounts are signed. Discussion with Ofgem may result in RAV being increased or decreased. The 31 March 2024 RAV has been restated from that previously published in the 31 March 2024 statutory accounts, to reflect the latest position agreed with Ofgem.

2 "RAV gearing" is the ratio of net debt (as defined within certain of the Company's covenant arrangements), to the RAV.

Financial risk management objectives and policies

The Company is financed by a combination of equity and retained profits, bonds, and bank lending facilities. The Company's funding and liquidity are managed within a framework of documented treasury policies and guidelines.

At 30 September 2024 the Company had net debt of £1,383.1m (31 March 2024: £1,360.8m) comprising bonds of £1,224.4m (31 March 2024: £1,220.7m), loans from the European Investment Bank (EIB) of £155.0m (31 March 2024: £155.0m), and Group borrowings of £12.0m (31 March 2024: £nil), offset by cash and cash equivalents of £8.3m (31 March 2024: £14.9m).

The Company's principal financial assets are its cash balances, trade and other receivables and loans to Group undertakings.

Dividends

Dividends of £27.0m were paid during the period (six months ended 30 September 2023: £52.0m).

INTERIM MANAGEMENT REPORT continued

Principal risks and uncertainties

In the view of the Board, the principal risks relevant to the Company at 30 September 2024 and during the remaining six months of the financial year ended 31 March 2025, are consistent with those that were contained in the Company's 2024 annual report. These risks are summarised below and are presented in more detail together with the mitigating actions being taken by management, in the 2024 Annual Report and Accounts available at www.ukpowernetworks.co.uk/about-us/investor-relations.

Risk
Health and safety incidents There is a risk that a fatality or serious injury occurs involving an employee, a contractor, a member of the public or a third party. Any such incident could lead to a prosecution or a fine and have an adverse impact on the reputation of the Company.
Inadequate response to major adverse events Adverse events include risks relating to weather patterns, in particular the severity or frequency of storms, high winds or flooding which can have a negative impact in the form of increased damage and expenditure to the network. An inadequate response to a major adverse event could result in a failure in the Company's performance (e.g. power outages at key facilities, safety incidents, poor customer service and/or breach of licence conditions) resulting in significant financial and reputational damage.
Failure of network assets There are significant risks associated with network assets where failure of asset management procedures, systems or equipment could result in a major outage, major fine or a serious injury/fatality. Customer service and continuity/quality of supply are important regulatory requirements and poor performance in these areas can result in financial penalties. Any significant incident could cause adverse publicity and impact negatively on the reputation of the Company.
Achieving output and cost efficiency targets Output and cost efficiency targets are agreed with Ofgem within the price control framework. Supply chain disruption, higher levels of inflation and the availability of employee and contractor resourcing can impact delivery of targets. If the business does not meet output and cost efficiency targets, this could negatively impact financial performance.
Network unable to meet accelerated demand The Group has a key role in facilitating the transition to net zero. Risk of not meeting the accelerated demand on the network resulting from the uptake of low carbon technologies under the challenging timelines set by the government.

INTERIM MANAGEMENT REPORT continued

Risk
Regulatory compliance risk The Group is subject to extensive regulatory and legislative obligations. These include obligations set by the regulator ("Ofgem") as well as statutory requirements, including taxation. Compliance obligations may be impacted by the prevailing political and economic climate. Non-compliance with regulatory and legislative obligations could result in lower financial returns, reputational damage, breach of licence conditions or fines.
Supply chain capacity and Long Lead Times Supply chain performance pressures have increased globally. This is resulting in increased risks of price fluctuations, extended lead times for critical materials, insolvency of key suppliers and scarcity of skilled contractor workforce. If these challenges are not managed effectively, it may impact the Group's ability to deliver against its targets.
Major failure or Cyber security breach of IT systems A failure or cyber security breach of core IT systems could have a considerable impact on business operations. If the breach or failure is related to control systems, the Company's ability to operate the network could be impacted. Data breaches could result in legal or regulatory non-compliance with resulting financial penalties and reputational damage.
Political and economic climate Political and global events can affect aspects of the Company's business. This includes events such as the conflict in the Ukraine and disruption to global supply chains. Changes in the macroeconomic environment, such as credit markets, inflation and interest rates could negatively impact financial results and the Group's access to funding.

Going concern

The Directors have performed an assessment of going concern based on detailed cash flow forecasts for a period of at least 12 months from the date of these condensed financial statements as well as taking into consideration the following factors:

- The Company is profitable with strong operating cashflows and predictable revenues regulated by Ofgem under an established price control mechanism.
- £145.0m of undrawn committed borrowings under a revolving credit facility and the flexibility provided by centralised Group treasury arrangements which allow short term funding from other Group companies if required.
- The net current asset position of £184.5m and the financial covenants applicable to the Company's financing facilities.
- The impact of a higher inflationary environment, which negatively impacts costs but increases future revenues via higher tariffs.
- The Company has a successful track record of raising finance supported by an investment grade credit rating.

In assessing going concern the Directors have considered reasonably possible downside scenarios which could negatively impact the Company. These include an increase in costs resulting from storm events, higher than expected inflation, lower than expected revenues, which could be attributable to the impacts of weather or other events on consumption and a reduction in connections income. Stress testing has been performed and indicates that the level of decline in the Company's financial performance to result in a financial covenant breach is considered remote.

INTERIM MANAGEMENT REPORT continued

The Company's forecasts under all reasonable scenarios show that the Company has adequate liquidity for a period of at least 12 months from the date of these condensed financial statements. Accordingly, the Directors are satisfied it is appropriate to adopt the going concern basis of accounting in the preparation of these condensed financial statements.

Approved by the Board and signed on its behalf by:

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Basil Scarsella
Director

13 December 2024
Newington House
237 Southwark Bridge Road
London
SE1 6NP
United Kingdom

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The interim financial information is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules (DTR) of the United Kingdom Financial Conduct Authority.

As required by Chapter 4 of the DTR in respect of companies with listed debt, the Directors confirm to the best of their knowledge that:

- The condensed interim financial statements have been prepared in accordance with Financial Reporting Standard 104 'Interim Financial Reporting' which gives a true and fair view of the assets, liabilities, financial position and profit of the Company for the six months ended 30 September 2024; and

- The interim management report includes a fair review of the information required by DTR 4.2.7R (an indication of important events and their impact during the first six months of the financial year, and a description of principal risks and uncertainties for the remaining six months of the financial year).

Signed on behalf of the Board of Directors of London Power Networks plc:

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Basil Scarsella
Director
13 December 2024

INDEPENDENT REVIEW REPORT OF LONDON POWER NETWORKS PLC ('THE COMPANY')

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 which comprises the condensed profit and loss statement, condensed statement of comprehensive income, condensed balance sheet, condensed statement of changes in equity, condensed cash flow statement and related notes 1 to 15.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 is not prepared, in all material respects, in accordance with Financial Reporting Standard 104 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with the International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the company are 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"). The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, 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 review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

INDEPENDENT REVIEW REPORT OF LONDON POWER NETWORKS PLC ('THE COMPANY')

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

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Deloitte LLP
Statutory Auditor
London, United Kingdom
13 December 2024

CONDENSED PROFIT AND LOSS STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	Note	**Six months ended 30 September 2024 £m**	Six months ended 30 September 2023 £m
Turnover	2	**311.6**	227.5
Cost of sales		**(19.2)**	(28.1)
Gross profit		**292.4**	199.4
Distribution costs		**(118.1)**	(112.0)
Administrative expenses		**(2.6)**	(3.5)
Operating profit	3	**171.7**	83.9
Finance costs (net)	4	**(25.5)**	(34.0)
Profit before taxation		**146.2**	49.9
Taxation	5	**(37.1)**	(13.2)
Profit for the period		**109.1**	36.7

All results are derived from continuing operations.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	Note	**Six months ended 30 September 2024 £m**	Six months ended 30 September 2023 £m
Profit for the period		**109.1**	36.7
Reclassified to profit or loss from hedge reserve		**0.3**	0.2
Remeasurement gains/(losses) on defined benefit pension schemes	14	**19.1**	(54.8)
Other comprehensive income/(loss)		**19.4**	(54.6)
Total comprehensive income/(loss)		**128.5**	(17.9)

The components of other comprehensive income/(loss) are stated net of tax related effects.

CONDENSED BALANCE SHEET
AS AT 30 SEPTEMBER 2024

	Note	30 September 2024 £m	31 March 2024 £m
Fixed assets			
Intangible assets	6	**19.9**	16.7
Tangible assets	7	**4,451.7**	4,347.3
		4,471.6	4,364.0
Current assets			
Debtors			
- amounts falling due within one year	8	**125.7**	69.7
- amounts falling due after more than one year	8	**367.6**	349.0
Cash and cash equivalents		**8.3**	14.9
		501.6	433.6
Creditors: amounts falling due within one year	9	**(317.1)**	(284.4)
Net current assets		**184.5**	149.2
Total assets less current liabilities		**4,656.1**	4,513.2
Creditors: amounts falling due after more than one year	9	**(2,642.0)**	(2,605.2)
Provisions for liabilities	12	**(348.5)**	(343.9)
Net assets		**1,665.6**	1,564.1
Capital and reserves			
Called up share capital		**10.0**	10.0
Hedging reserve		**(2.0)**	(2.3)
Profit and loss account		**1,657.6**	1,556.4
Shareholder's funds		**1,665.6**	1,564.1

The condensed financial statements of London Power Networks plc, registered number 3929195, were approved and authorised for issue by the Board and signed on its behalf by:

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Basil Scarsella
Director
13 December 2024

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	Called-up share capital £m	Profit and loss account £m	Hedging reserve £m	Total £m
At 1 April 2024	10.0	1,556.4	(2.3)	**1,564.1**
Profit for the period	-	109.1	-	**109.1**
Remeasurement gains on defined benefit pension schemes	-	19.1	-	**19.1**
Reclassified to profit or loss from hedge reserve	-	-	0.3	**0.3**
Total comprehensive income	-	128.2	0.3	**128.5**
Dividends	-	(27.0)	-	**(27.0)**
At 30 September 2024	**10.0**	**1,657.6**	**(2.0)**	**1,665.6**

	Called-up share capital £m	Profit and loss account £m	Hedging reserve £m	Total £m
At 1 April 2023	10.0	1,628.9	(2.8)	**1,636.1**
Profit for the period	-	36.7	-	**36.7**
Remeasurement losses on defined benefit pension schemes	-	(54.8)	-	**(54.8)**
Reclassified to profit or loss from hedge reserve	-	-	0.2	**0.2**
Total comprehensive (loss)/income	-	(18.1)	0.2	**(17.9)**
Dividends	-	(52.0)	-	**(52.0)**
At 30 September 2023	**10.0**	**1,558.8**	**(2.6)**	**1,566.2**

CONDENSED CASH FLOW STATMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	Note	**Six months ended 30 September 2024 £m**	Six months ended 30 September 2023 £m
Cash generated from operations	15	**257.8**	170.6
Corporation tax paid		**(23.9)**	(7.6)
Net cash flows from operating activities		**233.9**	163.0
Cash flows from investing activities			
Proceeds from sale of tangible assets		**-**	0.1
Gross capital expenditure on tangible assets		**(161.8)**	(142.7)
Capital expenditure on intangible assets		**(5.9)**	(4.3)
Short-term loans advanced to Group undertakings		**(45.0)**	-
Interest received		**4.0**	2.8
Net cash flows used in investing activities		**(208.7)**	(144.1)
Cash flows from financing activities			
Equity dividends paid		**(27.0)**	(52.0)
Interest paid		**(16.8)**	(20.5)
Proceeds from short-term borrowing		**12.0**	12.5
Proceeds from long-term borrowing		**-**	49.9
Net cash flows used in financing activities		**(31.8)**	(10.1)
Net (decrease)/increase in cash and cash equivalents		**(6.6)**	8.8
Cash and cash equivalents at beginning of period		**14.9**	6.9
Cash and cash equivalents at end of period		**8.3**	15.7
Cash and cash equivalents comprise:			
Cash at bank		**8.3**	15.7
Cash and cash equivalents		**8.3**	15.7

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. General information and basis of accounting

London Power Networks plc (the "Company") is incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The condensed financial statements for the six months ended 30 September 2024 have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with FRS 104 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the Financial Conduct Authority. The interim financial information is unaudited but has been reviewed by the Company's Auditor. The Auditor's review opinion is presented on page 10.

The interim financial information does not constitute the Company's statutory accounts which have been prepared under the Financial Reporting Standard 102 (FRS 102) for the year ended 31 March 2024 and filed with the registrar of companies. The Auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

The interim financial information should be read in conjunction with the annual report and financial statements for the year ended 31 March 2024 comprising the statutory accounts. The accounting policies applied in the preparation of the condensed interim financial statements and the significant accounting judgements and key sources of estimation uncertainty therein, are consistent with those of the financial statements for the year ended 31 March 2024.

The financial information for the year ended 31 March 2024 presented as comparatives in the balance sheet and notes to the balance sheet is derived from the statutory accounts for that year but should not be regarded as statutory accounts within the meaning of s434 of the Companies Act 2006.

Going concern
The Directors have performed an assessment of going concern based on detailed cash flow forecasts for a period of at least 12 months from the date of these condensed financial statements as well as taking into consideration the following factors:

- The Company is profitable with strong operating cashflows and predictable revenues regulated by Ofgem under an established price control mechanism.
- £145.0m of undrawn committed borrowings under a revolving credit facility and the flexibility provided by centralised Group treasury arrangements which allow short term funding from other Group companies if required.
- The net current asset position of £184.5m and the financial covenants applicable to the Company's financing facilities.
- The impact of a higher inflationary environment, which negatively impacts costs but increases future revenues via higher tariffs.
- The Company has a successful track record of raising finance supported by an investment grade credit rating.

In assessing going concern the Directors have considered reasonably possible downside scenarios which could negatively impact the Company. These include an increase in costs resulting from storm events, higher than expected inflation, lower than expected revenues, which could be attributable to the impacts of weather or other events on consumption and a reduction in connections income. Stress testing has been performed and indicates that the level of decline in the Company's financial performance to result in a financial covenant breach is considered remote.

The Company's forecasts under all reasonable scenarios show that the Company has adequate liquidity for a period of at least 12 months from the date of these condensed financial statements. Accordingly, the Directors are satisfied it is appropriate to adopt the going concern basis of accounting in the preparation of these condensed financial statements.

2. Turnover

Turnover for the six months ended 30 September 2024 was £311.6m (six months ended 30 September 2023: £227.5m), stated net of value added tax, arising entirely in the United Kingdom and attributable to the continuing activity of electricity distribution and the invoice value of other goods and services provided. This includes an estimate of the sales value of electricity units distributed to customers between the date of the last meter reading and the year end.

The Company's allowed revenue includes provision for the recovery of costs arising from Supplier of Last Resort ("SOLR") claims. In most instances these costs are recovered through revenues after two years once tariffs are updated. However, for the material SOLR claims which arose from energy supplier failures in 2021 due to high energy prices, the equivalent revenue was recovered in the same period as the claims was settled. This occurred over a two-year period from April 2022 to March 2024. In the six months ended 30 September 2024 no material SOLR claims were incurred or equivalent revenue recognised, compared to £10.8m recorded in cost of sales and turnover in the prior year comparative period.

Turnover also includes the annual impact of contributions from customers towards the cost of connections to the network. This income is initially deferred to the balance sheet and then amortised to turnover over the expected useful lives of the related network assets. The amount of contributions released to turnover during the period was £22.3m (six months ended 30 September 2023: £21.1m).

3. Operating profit

Operating profit is stated after charging/(crediting):

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m
Depreciation of tangible assets	**59.1**	55.4
Amortisation of intangible assets	**2.7**	3.1
Profit on disposal of tangible assets	**-**	(0.1)

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

4. Finance costs (net)

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m
Interest payable and similar expenses	**(34.9)**	(43.0)
Less: Investment income	**7.4**	7.7
Other finance income	**2.0**	1.3
Finance costs (net)	**(25.5)**	(34.0)

Investment income		
Interest receivable on Group loans	**3.6**	2.6
Other interest receivable	**0.4**	0.2
Net interest income on defined benefit pension scheme	**3.4**	4.9
	7.4	7.7

Interest payable and similar expenses		
Interest on bank loans	**(2.5)**	(1.6)
Interest on bonds	**(27.4)**	(17.9)
Accretion on index linked debt	**(4.1)**	(15.5)
Interest payable on Group loans	**(0.3)**	(5.9)
Net interest receivable on swap instruments	**1.5**	1.5
Accretion on swap instruments	**(3.8)**	(7.3)
	(36.6)	(46.7)
Finance costs capitalised	**1.7**	3.7
	(34.9)	(43.0)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

4. Finance costs (net) continued

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m
Other finance income		
Fair value (losses)/gains on financial instruments		
Interest rate swaps not in hedge relationships	**(0.5)**	(0.5)
Index linked swaps not in hedge relationships	**2.7**	2.0
	2.2	1.5
Transfer to profit and loss on cash flow hedges	**(0.3)**	(0.3)
Amortisation of fair value hedge adjustments	**0.6**	0.5
Net gain related to derivative instruments	**2.5**	1.7
Net interest cost on defined benefit pension scheme	**(0.3)**	(0.3)
Other interest	**(0.2)**	(0.1)
	2.0	1.3

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

5. Taxation

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m
UK current tax		
UK corporation tax charge on profit for the period	**26.7**	4.5
Adjustments in respect of prior periods	**-**	-
	26.7	4.5
UK deferred tax		
Origination and reversal of timing differences	**10.4**	8.7
Adjustments in respect of prior periods	**-**	-
	10.4	8.7
Total tax charge for the period	**37.1**	13.2

Tax rate changes
The current tax rate applied during the six months ended 30 September 2024 was 25% (six months ended 30 September 2023: 25%) and deferred tax was calculated at 25% (six months ended 30 September 2023: 25%) based on the standard rate of corporation tax substantively enacted at the reporting date.

Pillar Two
Pillar Two legislation was enacted in the UK in July 2023, and the Company is within the scope of these rules for periods beginning on or after 1 April 2024.

The UK Power Networks Group has performed an assessment of its exposure to Pillar Two income taxes for the period, including under the UK domestic top-up tax (DTT) rules. Based on the assessment, the Company is not expected to be subject to any additional tax liabilities under the new legislation. All UK Power Networks Group entities are currently subject to a headline UK corporation tax rate of 25%, which is substantially higher than the minimum 15% rate. Management are not aware of any circumstances under which the effective tax rate of the UK Power Networks Group would be expected to fall below the minimum 15% rate in the foreseeable future.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

6. Intangible assets

IT software and development costs	**Total £m**
Cost	
At 1 April 2024	**90.0**
Additions	**5.9**
At 30 September 2024	**95.9**
Amortisation	
At 1 April 2024	**73.3**
Charge for the period	**2.7**
At 30 September 2024	**76.0**
Net book value	
At 30 September 2024	**19.9**
At 31 March 2024	16.7

IT software and development costs are amortised to profit or loss over an estimated useful life of 4 to 8 years.

7. Tangible fixed assets

	Total £m
Cost	
At 1 April 2024	**6,559.8**
Additions	**163.5**
Disposals	**(0.5)**
At 30 September 2024	**6,722.8**
Depreciation	
At 1 April 2024	**2,212.5**
Charge for the period	**59.1**
Eliminated on disposal	**(0.5)**
At 30 September 2024	**2,271.1**
Net book value	
At 30 September 2024	**4,451.7**
At 31 March 2024	4,347.3

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

8. Debtors

	30 September 2024 £m	31 March 2024 £m
Amounts falling due within one year		
Trade debtors	**65.6**	52.7
Amounts owed by Group undertakings	**56.1**	10.9
Other debtors	**0.1**	0.1
Prepayments	**1.3**	0.7
Corporation tax	**2.6**	5.3
	125.7	69.7
Amounts falling due after more than one year		
Amounts owed by Group undertakings	**196.1**	196.1
Derivative financial assets (note 11)	**10.2**	13.1
Defined benefit pension surplus (note 14)		
UK Power Networks Group of the ESPS (UKPN Group scheme)	**161.3**	139.8
	367.6	349.0
	493.3	418.7

Amounts owed by Group undertakings due within one year comprise a short-term loan of £54.5m to the parent company UK Power Networks Holdings Limited carrying interest at 5.34% (31 March 2024: £9.5m to Eastern Power Networks Ltd carrying interest at 5.58%) and interest free trade balances of £1.6m (31 March 2024: £1.4m) which are repayable on demand.

Amounts owed by Group undertakings due after more than one year comprise a loan of £196.1m (31 March 2024: £196.1m) to the parent company UK Power Networks Holdings Limited, carrying interest at 2.56% (31 March 2024: 2.56%) and maturing in June 2026.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

9. Creditors

	30 September 2024 £m	31 March 2024 £m
Amounts falling due within one year		
Borrowings (note 10)	**12.0**	-
Trade creditors	**0.2**	0.1
Amounts owed to Group undertakings	**47.9**	31.1
Other taxation and social security	**25.4**	21.4
Other creditors	**6.3**	5.9
Accruals	**54.0**	52.8
Deferred income	**171.3**	173.1
	317.1	284.4
Amounts falling due after more than one year		
Borrowings (note 10)	**1,379.4**	1,375.7
Deferred income	**1,228.9**	1,203.1
Derivative financial liabilities (note 11)	**33.7**	26.4
	2,642.0	2,605.2
	2,959.1	2,889.6

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

Deferred income due after more than one year comprises contributions received from customers as payment for connections work, the cost of which is capitalised to network assets. This income is released to turnover over the expected useful lives of the related network assets. Deferred income due within one year includes customer contributions of £45.8m (31 March 2024: £45.3m) expected to be released to profit or loss within one year.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

10. Borrowings

	30 September 2024 £m	31 March 2024 £m
Amounts falling due after more than one year		
Amounts due to Group undertakings	**12.0**	-
	12.0	-
Amounts falling due after more than one year		
£25.0m 2.335% EIB loan due October 2025	**25.0**	25.0
£80.0m 1.614% EIB loan due October 2028	**80.0**	80.0
£35.0m 2.070% EIB loan due April 2029	**35.0**	35.0
£15.0m 2.335% EIB loan due June 2030	**15.0**	15.0
£300m 6.125% Bond due June 2027	**300.7**	300.9
£250m 2.625% Bond due March 2029	**249.1**	248.9
£150m 3.125% RPI Index Linked Bond due June 2032	**324.7**	321.4
£300m 5.875% Bond November 2040	**295.4**	295.3
£50m 2.562% CPI Index Linked Bond June 2043	**51.7**	50.8
Fair value adjustment arising from fair value hedge relationships	**2.8**	3.4
	1,379.4	1,375.7
	1,391.4	1,375.7

Amounts due to Group undertakings is a short term loan of £12.0m from the parent company UK Power Networks Holdings Limited bearing interest at 5.3%.

Bonds are stated net of unamortised issue costs of £6.3m (31 March 2024: £6.6m). The 6.125% bonds include an unamortised net premium of £0.7m (31 March 2024: £0.9m) and the index linked bonds include accretion of £175.3m (31 March 2024: £172.0m) and the 2.562% bond includes accretion of £1.8m (31 March 2024: £1.0m). These balances together with the interest expense are allocated to profit or loss over the term of the debt.

The cumulative adjustment to the carrying amount of the bonds, arising from fair value hedge relationships with interest rate swaps, amounts to a fair value loss of £2.8m (31 March 2024: £3.4m) within long term borrowings. These balances are presented on a separate line in the table above. Movements during the period comprise of an amortisation adjustment of £0.6m (six months ended 30 September 2023: £0.5m) relating to discontinued hedge relationships. The fair value adjustment amortises to profit or loss from the date of cessation of the fair value hedge until the maturity of the previously hedged debt.

Security
No security has been given over the assets of the Company in respect of the Company's borrowings.

Borrowing facilities
The Company has access to revolving credit facility of £145.0m until 2026 which was undrawn at the balance sheet date.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

11. Derivative financial instruments

	Due after one year	
	30 September 2024 £m	31 March 2024 £m
Derivative financial assets		
Interest rate swaps not designated in hedge accounting relationships	**10.2**	13.1
	10.2	13.1
Derivative financial liabilities		
Interest rate swaps not designated in hedge accounting relationships	**(6.9)**	(3.9)
Index linked swaps not designated in hedge accounting relationships[1]	**(26.8)**	(22.5)
	(33.7)	(26.4)
	(23.5)	(13.3)

[1] The fair value of index linked swaps at 30 September 2024 includes accretion of £15.8m (31 March 2024: £12.0m).

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest calculated on agreed notional principal amounts. Index linked swaps are used to partially hedge the indexation exposure on the Company's regulated income by exchanging floating or fixed interest rates with RPI and CPI inflation linked rates.

Interest payable and receivable on the swaps is settled on a net basis, annually or semi-annually.

The fair value of the swap instruments at the reporting date is determined by discounting the future cash flows implicit in the swaps. The discount rate and cash flows are derived from the forward interest rate SONIA Overnight Index Swap ("OIS") curve and forward RPI curve, adjusted for the Group's own credit risk in respect of swap liabilities and counterparty credit risk in respect of swap assets.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

12. Provisions for liabilities

	30 September 2024 £m	31 March 2024 £m
Deferred tax liability	**330.6**	313.6
Defined benefit pension obligations (note 14)		
UK Power Networks Pension Scheme (UKPNPS)	**0.6**	14.9
Other provisions	**17.3**	15.4
Total provisions for liabilities	**348.5**	343.9

Movements in the defined benefit pension schemes are detailed in note 14.

Other provisions comprise tax, legal and constructive obligations which are expected to become payable within the next two years.

13. Capital commitments

Amounts contracted for but not provided in the condensed financial statements, in relation to capital expenditure on tangible assets, amounted to £68.6m (31 March 2024: £78.0m).

14. Pension commitments

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 regularly 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, resulting from the triennial valuation as at 31 March 2022, was agreed on 27 February 2023 for the UKPN Group scheme and 5 April 2023 for the UKPNPS scheme. Deficit repair contributions to the UKPNPS scheme are set to eliminate the scheme's funding shortfall over the next four years. The Company's share of these contributions is £7.8m per annum until 29 February 2028, increasing annually by CPI inflation. In relation to the UKPN Group scheme, the funding deficit was cleared by 1 March 2023 removing the need for ongoing deficit repair.

A valuation at the balance sheet date, in accordance with FRS 102, was provided by actuaries using rolled forward member data from the 31 March 2022 triennial valuation and reflecting updated financial and demographic assumptions. These assumptions are governed by FRS 102 and do not reflect the assumptions used by the independent actuary in the triennial funding valuations described above.

The defined benefit scheme assets and liabilities are assigned to participating entities using an allocation methodology based on employment records and attribution portions agreed with the industry regulator Ofgem.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

14. Pension commitments continued

The principal financial assumptions (% per annum) used to calculate scheme liabilities were:

	30 September 2024 %	31 March 2024 %
Discount rate		
- UKPN Group	**5.1**	4.8
- UKPNPS	**5.1**	4.8
Rate of increase in RPI		
- UKPN Group	**2.8**	2.9
- UKPNPS	**2.6**	2.7
Rate of increase in CPI		
- UKPN Group	**2.5**	2.6
- UKPNPS	**2.2**	2.2
Rate of increase in salaries		
- UKPN Group	**3.3**	3.4
- UKPNPS	**3.1**	3.2
Rate of pension increases in payment		
- Pensions in excess of GMP (UKPN Group)	**2.8**	2.9
- Post 88 GMP (UKPN Group)	**2.0**	2.1
- RPI up to 5% per annum (UKPNPS)	**2.5**	2.6
- RPI up to 2.5% per annum (UKPNPS)	**1.8**	1.9
- Post 88 GMP (UKPNPS)	**1.8**	1.9
Rate of pension increases in deferment		
- UKPN Group	**2.8**	2.9
- CPI up to 5% per annum (UKPNPS)	**2.2**	2.2
- CPI up to 2.5% per annum (UKPNPS)	**2.2**	2.2

The demographic assumptions used in the calculation of the pension liability on the 30 September 2024 balance sheet are consistent with those reported in the statutory accounts for the year ended 31 March 2024.

14. Pension commitments continued

The amount recognised in the balance sheet in respect of the defined benefit pension schemes is as follows:

	UKPN Grp 30 Sep 2024 £m	UKPNPS 30 Sep 2024 £m	Total 30 Sep 2024 £m	Total 31 Mar 2024 £m
Fair value of scheme assets	**1,213.0**	**131.4**	**1,344.4**	1,368.7
Present value of defined benefit pension obligations	**(1,051.7)**	**(132.0)**	**(1,183.7)**	(1,243.8)
Surplus/(deficit) in schemes	**161.3**	**(0.6)**	**160.7**	124.9

The movement in the defined benefit schemes during the period is analysed as follows:

	UKPN Grp 2024 £m	UKPNPS 2024 £m	Total 2024 £m
Opening surplus/(deficit) at 1 April	**139.8**	**(14.9)**	**124.9**
Current service cost	**(1.2)**	**(1.5)**	**(2.7)**
Past service cost	**(0.2)**	**-**	**(0.2)**
Net interest income/(cost)	**3.4**	**(0.3)**	**3.1**
Contributions by employer	**2.1**	**4.1**	**6.2**
Deficit repair payments	**-**	**3.9**	**3.9**
Actuarial gains	**17.4**	**8.1**	**25.5**
Closing surplus/(deficit) at 30 September	**161.3**	**(0.6)**	**160.7**

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. On 25 July 2024, the Court of Appeal dismissed the appeal and upheld the decision of the High Court in the Virgin Media case. The Company's initial view is that the ruling and subsequent dismissal would not be expected to have a significant impact on the valuation of the Company's pension obligation, however this is still under assessment given the recent developments.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

15. Notes to the condensed cash flow statement

Reconciliation of operating profit to operating cash flows

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m
Operating profit	**171.7**	83.9
Adjustment for		
Depreciation and amortisation	**61.8**	58.5
Customer contributions recognised in turnover	**(22.3)**	(21.1)
Profit on disposal of tangible fixed assests	**-**	(0.1)
Operating cash flow before movement in working capital	**211.2**	121.2
(Increase)/decrease in debtors	**(13.8)**	17.3
Increase/(decrease) in creditors	**17.1**	(13.6)
Increase in provisions	**1.9**	3.0
Customer contributions received	**48.6**	49.2
Pension deficit repair payment	**(3.9)**	(3.6)
Employer pension contributions net of service costs	**(3.3)**	(2.9)
Cash generated from operations	**257.8**	170.6

15. Notes to the condensed cash flow statement continued

Reconciliation of net debt

	At 1 Apr 2024 £m	Cash flows £m	Fair value and exchange rate changes £m	Other non-cash changes £m	At 30 Sep 2024 £m
Cash and cash equivalents					
Cash at bank	14.9	(6.6)	-	-	8.3
	14.9	(6.6)	-	-	8.3
Borrowings					
Debt due within one year	-	(12.0)	-	-	(12.0)
Debt due after more than one year	(1,375.7)	-	0.6	(4.3)	(1,379.4)
	(1,375.7)	(12.0)	0.6	(4.3)	(1,391.4)
Net debt excluding derivatives	(1,360.8)	(18.6)	0.6	(4.3)	(1,383.1)
Net derivative liabilities	(13.3)	(10.2)	2.3	(2.3)	(23.5)
Net debt	(1,374.1)	(28.8)	2.9	(6.6)	(1,406.6)

Other non-cash changes in net debt comprise accretion on index linked debt of £4.1m, accretion on index linked derivatives of £3.8m and amortisation of debt issue costs of £0.2m, offset by interest accrued on derivatives of £1.5m.