

Registered number: 02964844 (England and Wales)

# Integrated Utility Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

## **Integrated Utility Services Limited**

### **Contents**

Company Information	1
Strategic Report	2 to 5
Directors' Report	6 to 9
Independent Auditor's Report	10 to 13
Statement of Profit or Loss	14
Statement of Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19 to 46

## **Integrated Utility Services Limited**

### **Company Information**

<b>Directors</b>	T H France P A Jones A J Maclellan
<b>Company Secretary</b>	J C Riley
<b>Registered office</b>	Lloyds Court 78 Grey Street Newcastle upon Tyne NE1 6AF
<b>Registered number</b>	02964844 (England and Wales)
<b>Auditor</b>	Deloitte LLP Statutory auditor Leeds United Kingdom

## **Integrated Utility Services Limited**

### **Strategic Report for the Year Ended 31 December 2020**

The directors present the annual reports and financial statements for the year ended 31 December 2020 of Integrated Utility Services Limited (the "Company"), which have been drawn up and presented in accordance with the Companies Act 2006.

#### **BUSINESS MODEL**

The principal activity of the Company is to provide engineering contracting services.

In common with Northern Powergrid Holdings Company and its subsidiaries (the "Northern Powergrid Group"), the Company operates a business model and strategy based on core principles (the "Core Principles"). The Core Principles relevant to the Company comprise Financial Strength, Employee Commitment, Environmental Respect and Regulatory Integrity. Each Core Principle is defined by a strategic objective which is measured where relevant by financial and non-financial Key Performance Indicators ("KPI"). The Strategic Report focuses on the Financial Strength, Employee Commitment and Environmental Respect and the associated performance of each KPI throughout the year in order to provide a summary of the success in achieving each strategic objective. Information concerning Regulatory Integrity can be found in the Directors' report in 'Business Relationships'.

#### **FINANCIAL STRENGTH**

**Strategic objective:** Strong finances that enable improvement and growth.

<b>KPI</b>	<b>2020</b>	<b>2019</b>
Revenue	£ 24.2 million	£ 30.9 million
Operating (loss)/ profit	£(0.2) million	£ 1.0 million
Cash from operating activities	£ 1.8 million	£ 0.3 million

**Strategic focus:** Strong finances that enable improvement and growth.

**Revenue:** The Company's revenue at £24.2 million was £6.7 million lower than the prior year primarily due to the impact of COVID-19 related restrictions which limited opportunities to secure construction work.

**Operating profit and position at the year-end:** The Company's operating loss of £0.2 million was £1.2 million lower than the previous years operating profit, primarily reflecting the reduced volumes generated whilst maintaining a similar level of administration expenses. The statement of financial position shows that, at 31 December 2020 the Company had total equity of £3.4m (2019: £3.5m). Despite the drop in equity, the Company maintains a net asset position which is discussed in more detail within the going concern note.

**Cash flow:** The Company aims to collect from customers and pay suppliers within contracted terms. Any surplus cash held is remitted to Yorkshire Electricity Group plc ("YEG"), a company in the Northern Powergrid Group, and invested accordingly, generating a market rate of return for the Company. Movements in cash flows were as follows:

- Cash flow from operating activities at £1.8 million was £1.5 million higher than the previous year due to liquidating contract assets offset slightly by lower operating profit.
- The net cash used in investing activities at £0.1 million was £0.2 million lower than the previous year, reflecting lower purchases of plant, property and equipment.
- The net cash outflow from financing activities at £1.5 million is £1.5 million higher than the previous year primarily due to the movement on short term loans as a result of favourable cashflows from operations.

**Pensions:** The Company is a participating employer in the Northern Powergrid Group of the Electricity Supply Pension Scheme (the "Scheme"), a defined benefit scheme. Further details are provided in Note 20 to the financial statements. The Company also participates in the Northern Powergrid Pension Scheme, which is a defined contribution scheme.

**Integrated Utility Services Limited**  
**Strategic Report for the Year Ended 31 December 2020 (continued)**

**EMPLOYEE COMMITMENT**

**Strategic objective:** High-performing people doing rewarding jobs in a safe and secure workplace.

<b>KPI</b>	<b>2020</b>		<b>2019</b>	
	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>
Northern Powergrid Group occupational safety and health administration rate	0.13	0.13	0.18	0.22
Preventable vehicle accidents	-	2	-	2
Operational incidents	-	-	-	-
	<b>2020</b>		<b>2019</b>	
Headcount	142		142	

**Performance during the year:** The Company's safety performance continued its positive trend whereby staff incurred no preventable vehicle, lost time, medical treatment, restricted duty or first aid accidents. In common with the Berkshire Hathaway Energy Company ("Berkshire Hathaway Energy") group, the Northern Powergrid Group measures its safety performance in terms of the OSHA rate, which is a measure used in the United States to capture safety incidents. As a result of the continued focus on robust health and safety measures, the Company achieved its stretching OSHA target of reporting no recordable OSHA incidents. The Company further enhanced its management system controls in 2020, achieving ISO 45001 Occupational Health and Safety certification.

The challenges posed by the Pandemic in respect of safe working practices and procedures were, and remain, constantly under review by members of the safety team, senior management team, Health and Safety Committee and the Board, in conjunction with trade union representatives. Robust business continuity plans and risk management procedures meant that the Company was adequately prepared for such an event (including purchasing stocks of personal protective equipment) and quickly adapted to new ways of working. All Company facilities were risk assessed and tailored procedures were implemented to ensure the safety of all staff in accordance with the latest government guidance.

Alongside the new measures introduced in the year, the Company continued to ensure that all colleagues had regular meaningful conversations with their line managers and that leadership engagement continued. To accommodate remote working and social distancing requirements, a number of routine training programmes were made available via e-learning such as Customer First training and the 'Best Welcome' corporate induction.

**ENVIRONMENTAL RESPECT**

**Strategic objective:** Leaders in environmental respect and low carbon technologies.

**Performance during the year:** The Northern Powergrid Group's approach to environmental compliance is governed by its policy of Environmental RESPECT (Responsibility, Efficiency, Stewardship, Performance, Evaluation, Communication and Training) implemented by Berkshire Hathaway Energy.

In support of the Group's environmental policy a number of initiatives were in place during the year including an expansion of a carbon capture scheme, enabling the capture of 765 tonnes (2019: 725 tonnes) of carbon dioxide to allow the Group to offset both the office energy use and the commercial fleet CO2 emissions to be declared carbon neutral and zero recordable environmental incidents were reported.

# **Integrated Utility Services Limited**

## **Strategic Report for the Year Ended 31 December 2020 (continued)**

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties of the Company are integrated with the principal risks of the Northern Powergrid Group and are not managed separately. Accordingly, the principal risks and uncertainties, which include those of this Company, are discussed in the annual report and financial statements of Northern Powergrid Holdings Company. The principal risks and uncertainties specific to the Company are outlined as follows:

#### **Principal Risks**

##### **Resource availability**

Loss of sub-contract resources. Loss of key management and personnel.

##### *Mitigation*

- Sub-contracts are let with "back to back" terms and conditions to ensure any residual risk is transferred to the sub-contractor.
- Succession plan of skilled personnel available as replacements.

##### **Financial risk**

Economic climate and the resulting effect on revenue, profitability and bad debt.

##### *Mitigation*

- Application of consistent debt follow-up procedures and close monitoring of receivables position.

##### **Contractual risk**

Non-performance or inability to complete contract.

##### *Mitigation*

- Thorough due diligence during tender processes and ensuring the scope of work is clearly defined.

##### **Brexit**

Britain's departure from the European Union.

##### *Mitigation*

- Brexit is not considered to be a principal risk to the Company.

##### **Pandemic**

Infection rate leads to high staff absence. Delay of goods and materials.

##### *Mitigation*

- Pandemic mitigation plan in place.
- Business contracts allow for extenuating circumstances.
- Briefings and advice provided.

At the time of writing this report, the Company's response to the coronavirus pandemic is fully operational. The Northern Powergrid Group has robust policies and processes in place to minimise the effect of disruptions to service and has considerable experience of invoking its major incident procedures. The pandemic management plan has been developed to provide a dynamic approach to the way in which the Company is run so as to ensure essential operations are maintained to normal standards whilst supporting the health and well-being of staff. Staff absence has not risen above normal levels. The Company response is aligned to UK Government advice and formulated with the oversight of the Department for Business, Energy & Industrial Strategy.

The Company has access to long-term financing from a range of sources, principally via the Northern Powergrid Group which issued a £300 million green bond in June 2020 and benefits from strong investment grade credit ratings which allow access to a range of financing options. The Company continues to monitor cash flows and liquidity.

## **Integrated Utility Services Limited**

### **Strategic Report for the Year Ended 31 December 2020 (continued)**

#### **SECTION 172(1) STATEMENT**

The information pursuant to Section 414CZA of the Companies Act 2006 which describes how the directors have had regard to the matters set out in Section 172(1) (a) to (f) when performing their duty under Section 172 is set out below:

- (a) the likely consequences of any decision in the long term. Decisions are made in accordance with the Company's ten year financial business plan and with due regard to the principal activity of the Company and the wider impact upon the Company's stakeholders including the Northern Powergrid Group.
- (b) the interests of the Company's employees. Detail is provided in 'Employee Commitment' on page 3.
- (c) the need to foster the Company's business relationships with suppliers, customers and others. Detail is provided in 'Business Relationships' on page 6.
- (d) the impact of the Company's operations on the community and the environment. Detail is provided in 'Environmental Respect' on page 3.
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct. Detail is provided in 'Business Relationships' on page 6.
- (f) the need to act fairly as between members of the Company. The Company has one class of shares which are held by Northern Electric plc, a company owned by the Northern Powergrid Group.

Approved by the Board on 28 September 2021 and signed on its behalf by:



A J Maclellan  
Director

## **Integrated Utility Services Limited**

### **Directors' Report for the Year Ended 31 December 2020**

The directors present their report together with the auditor's report and the financial statements for the year ended 31 December 2020.

#### **Dividends**

During the year no interim dividend was paid (2019: £nil). The directors recommend that no final dividend be paid in respect of the year (2019: £nil).

#### **Future developments and future outlook**

The Company will continue to concentrate on engineering contracting. There are no plans to change the existing business model.

#### **Research and development**

The Company does not undertake research and development.

#### **Post balance sheet events**

For the year ended 31 December 2020 there has been no non-adjusting post balance sheet events.

#### **Directors of the Company**

The directors, who held office during the year and up to the date of signing were as follows:

T E Fielden (Resigned 15 February 2021)  
T H France  
P A Jones  
A J Maclellan

During the year, none of the directors had an interest in any contract which was material to the business of the Company.

During the year and up to the date of approval of the Report of the Directors, an indemnity contained in the Company's Articles of Association was in force for the benefit of the directors of the Company and as directors of associated companies, which was a qualifying indemnity provision for the purposes of the Companies Act 2006.

#### **Financial instruments**

Details of financial risks are included in Note 23 to the financial statements.

As at 31 December 2020 and during the Year it was the Company's policy not to hold any derivative financial instruments.

#### **Political Donations**

During the year, no contributions were made to political organisations (2019: £nil).

#### **Business Relationships**

The Company's policy in respect of engaging with stakeholders is governed by the Core Principles and the Berkshire Hathaway Energy code of business conduct ("Code of Conduct"). The Core Principle of 'Regulatory Integrity' defines the Northern Powergrid Group's commitment to comply with all laws wherever it does business and the expectation that all employees (including directors) manage their activities in a manner that is compliant with all standards, regulations and corporate policies. In addition, the Code of Conduct requires adherence to the highest level of ethical conduct and fair dealings with all customers, suppliers and competitors.

Relations with suppliers is managed using a supplier registration system which supports a robust and transparent procurement process and ensures strict compliance with the prevention of slavery and human trafficking. As a consequence, the system allows the Company to make informed decisions which align with its values when awarding contracts. When considering suppliers, the board advocates prompt payment practices which are reviewed regularly by the internal audit function and the implementation of procedures to reduce the risk of modern slavery in supply chains - as set out in the Company's annual Modern Slavery Act statement.

Commercial customers are the primary stakeholder group served by the Company and therefore the services offered are all tailored to provide a benefit and meet the contractual requirements of the awarding party.

## **Integrated Utility Services Limited**

### **Directors' Report for the Year Ended 31 December 2020 (continued)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

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

## **Integrated Utility Services Limited**

### **Directors' Report for the Year Ended 31 December 2020 (continued)**

#### **Going Concern**

The Financial Statements which report net assets of £3.4m (2019: 3.5m) and net current assets of £2.6m (2019: 2.9m) have been prepared on the going concern basis. Having taken into account the impact of COVID-19 on the Company's operations, the directors have reviewed the Company's projections up until October 2022, with particular reference to work pipeline, its operating cash flow, commitments and liquidity in order to form a conclusion.

The key variable in the Company's assumptions when determining its forecast position is the volume of sales. The Company has made a net loss of £164k in the year ended December 2020. This reflected the reduced volume of work as a result of COVID-19. This reduced work volume is not forecast to continue and as at the date of approving the accounts, the Company has successfully acquired a strong pipeline of work, increasing volumes for 2021 and forecasting a return to profit in 2021. In determining the going concern assessment, management have reviewed the following:

- The current forward order book and pipeline of work;
- The net assets position;
- The recoverability of debt; and
- The cash position.

The Company's cash position is not considered to be a risk factor as working capital is closely monitored and any short-term cash requirements are met from an inter-company pooling arrangement. The cash position and liquidity of the Company is closely monitored. The cash needs of the business during the pandemic have been met from cash balances held and short-term funding through the intercompany pooling arrangements. This arrangement is available for the Company however, as at the date of signing the accounts, the Company has returned to improved work volumes, and the forecast for the next 12 months to October 2022 shows a net positive cash position for the Company.

Further, a review of the Northern Powergrid Group's business activities during the year, together with details regarding its future development, performance and position, its objectives, policies and processes for managing its capital, its financial risk management objectives and details of its exposures to trading risk, credit risk and liquidity risk are set out in the Strategic Report, the Directors' Report and the appropriate notes to the financial statements of Northern Powergrid Holdings Company.

The Northern Powergrid Group is financed both in its operating companies and in other entities within the Northern Powergrid Group, and companies may lend within the Northern Powergrid Group. For that reason, financial health is considered with reference to the Northern Powergrid Group. Those entities with a net current liabilities position obtain a letter of support from Northern Powergrid Holdings Company.

When considering continuing to adopt the going concern basis in preparing the annual reports and financial statements, the directors have taken into account a number of factors, including the following:

- The Northern Powergrid Group's main subsidiaries, Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc are stable electricity distribution businesses operating an essential public service and are regulated by the Gas and Electricity Markets Authority ("GEMA"). In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations under Part 1 of the Electricity Act 1989 (including the obligations imposed by the electricity distribution licence) or by the Utilities Act 2000;
- The Northern Powergrid Group is profitable with strong underlying cash flows. Northern Powergrid Holdings Company, Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc hold investment grade credit ratings;
- The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 17 years and has access to short-term committed borrowing facilities of £192 million provided by Lloyds Bank plc, National Westminster Bank plc and Santander UK plc;
- Several of the Company's customers operate in regulated industries such as electricity, water and rail, so providing additional comfort regarding the security of receivables;
- The Northern Powergrid Group issued a £300 million green bond in June 2020 and benefits from strong investment grade credit ratings which allow access to a range of financing options;
- The Northern Powergrid Group has prepared forecasts which taking into account reasonable possible changes in trading performance show that the Northern Powergrid Group has sufficient resources to settle its liabilities as they fall due for at least the 12 months from the date of these accounts. The directors have had discussions with the bank who have indicated that they would continue to provide the short-term facilities to the Northern Powergrid Group for the foreseeable future on acceptable terms; and

**Integrated Utility Services Limited**  
**Directors' Report for the Year Ended 31 December 2020 (continued)**

- Consideration was also given to the obligations contained in the Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc's licences to provide the Office of Gas and Electricity Markets with annual certificates, confirming that the directors have a reasonable expectation that the Northern Powergrid Group will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months. The board determined any material variations to the assumptions used when providing those certificates were unlikely within the eight-year period or beyond.

Consequently, after making these enquiries, including the parent company's going concern position and the availability of the cash pooling arrangement the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

**Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

**Reappointment of auditor**

Deloitte LLP will continue in office in accordance with the provisions in Section 487 of the Companies Act 2006 and has indicated its willingness to do so.

Approved by the Board on 28 September 2021 and signed on its behalf by:



A J Maclellan  
Director

# **Integrated Utility Services Limited**

## **Independent Auditor's Report to the Members of Integrated Utility Services Limited**

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

#### **Opinion**

In our opinion the financial statements of Integrated Utility Services Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows;
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

#### **Basis for opinion**

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

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

**Integrated Utility Services Limited**  
**Independent Auditor's Report to the Members of Integrated Utility Services Limited**  
**(continued)**

**Conclusions relating to going concern**

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

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

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

**Other information**

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

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

We have nothing to report in this regard.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Integrated Utility Services Limited**  
**Independent Auditor's Report to the Members of Integrated Utility Services Limited**  
**(continued)**

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Electricity Act 1989, GDPR and the ISO 45001 Occupational Health and Safety certification.

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

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Revenue recognition, specifically valuation and cut off of ongoing contracts, by assessment of costs to complete. We performed procedures including: review of post year end movements in contract margins; accuracy testing of supplier and customer invoices and their inclusion in the correct financial accounting period; testing and challenge of outstanding debtors and work-in-progress balances; and recalculation of percentage of completion of contracts.

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

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

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

**Integrated Utility Services Limited**  
**Independent Auditor's Report to the Members of Integrated Utility Services Limited**  
**(continued)**

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

**Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

**Use of our report**

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



Paul Hewitson (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP, Statutory Auditor  
Leeds  
United Kingdom  
29 September 2021

**Integrated Utility Services Limited**  
**Statement of Profit or Loss for the Year Ended 31 December 2020**

	Note	2020 £ 000	2019 £ 000
Revenue	3	24,153	30,926
Cost of sales		<u>(20,437)</u>	<u>(25,803)</u>
Gross profit		3,716	5,123
Administrative expenses		<u>(3,875)</u>	<u>(4,094)</u>
Operating (loss)/profit	4	(159)	1,029
Finance costs	5	(47)	(54)
Finance income	5	<u>-</u>	<u>1</u>
(Loss)/profit before tax		(206)	976
Income tax receipt/(expense)	9	<u>42</u>	<u>(184)</u>
(Loss)/profit for the year		<u><u>(164)</u></u>	<u><u>792</u></u>

**Integrated Utility Services Limited**  
**Statement of Comprehensive Income for the Year Ended 31 December 2020**

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
(Loss)/profit for the year	<u>(164)</u>	<u>792</u>
Total comprehensive (expense)/income for the year	<u><u>(164)</u></u>	<u><u>792</u></u>

**Integrated Utility Services Limited**  
**(Registration number: 02964844)**  
**Statement of Financial Position as at 31 December 2020**

	Note	31 December 2020 £ 000	31 December 2019 £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	345	351
Right of use assets	11	1,417	1,299
Deferred tax assets	9	106	55
		<u>1,868</u>	<u>1,705</u>
<b>Current assets</b>			
Trade and other receivables	12	3,652	4,024
Cash and cash equivalents	13	204	-
Contract assets	3	6,214	8,132
		<u>10,070</u>	<u>12,156</u>
Total assets		<u><u>11,938</u></u>	<u><u>13,861</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	14	(3,103)	(3,103)
Retained earnings	15	(275)	(439)
Total equity		<u>(3,378)</u>	<u>(3,542)</u>
<b>Non-current liabilities</b>			
Long term lease liabilities	23	(1,117)	(1,026)
<b>Current liabilities</b>			
Current portion of long term lease liabilities	23	(336)	(295)
Trade and other payables	19	(6,509)	(7,385)
Loans and borrowings	16	-	(1,086)
Income tax liability		(5)	(86)
Provisions	18	(593)	(441)
		<u>(7,443)</u>	<u>(9,293)</u>
Total liabilities		<u>(8,560)</u>	<u>(10,319)</u>
Total equity and liabilities		<u><u>(11,938)</u></u>	<u><u>(13,861)</u></u>

Approved by the Board of Directors on 28 September 2021 and signed on its behalf by:



A J Maclellan  
Director

**Integrated Utility Services Limited**  
**Statement of Changes in Equity for the Year Ended 31 December 2020**

	Note	<b>Share capital</b> <b>£ 000</b>	<b>Retained earnings</b> <b>£ 000</b>	<b>Total</b> <b>£ 000</b>
At 1 January 2020		3,103	439	3,542
Loss for the year		<u>-</u>	<u>(164)</u>	<u>(164)</u>
Total comprehensive expense		<u>-</u>	<u>(164)</u>	<u>(164)</u>
At 31 December 2020		<u><u>3,103</u></u>	<u><u>275</u></u>	<u><u>3,378</u></u>
		<b>Share capital</b> <b>£ 000</b>	<b>Retained earnings</b> <b>£ 000</b>	<b>Total</b> <b>£ 000</b>
At 1 January 2019		3,103	(353)	2,750
Profit for the year		<u>-</u>	<u>792</u>	<u>792</u>
Total comprehensive income		<u>-</u>	<u>792</u>	<u>792</u>
At 31 December 2019		<u><u>3,103</u></u>	<u><u>439</u></u>	<u><u>3,542</u></u>

**Integrated Utility Services Limited**  
**Statement of Cash Flows for the Year Ended 31 December 2020**

	Note	2020 £ 000	2019 £ 000
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		(164)	792
<b>Adjustments to cash flows from non-cash items</b>			
Depreciation and amortisation	10	117	53
Depreciation on right of use assets	11	341	342
Finance income	5	-	(1)
Finance costs	5	47	54
Income tax (credit)/expense	9	(42)	184
		299	1,424
Decrease/(increase) in trade and other receivables	12	372	(27)
(Decrease)/increase in trade and other payables	19	(876)	146
Decrease/(increase) in contract assets	3	1,918	(1,859)
Increase in provisions	18	152	424
Cash generated from operations		1,865	108
Income taxes (paid)/received	9	(90)	187
Net cash flow from operating activities		1,775	295
<b>Cash flows used in investing activities</b>			
Acquisitions of property plant and equipment	10	(111)	(305)
Interest received	5	-	1
Net cash flows used in investing activities		(111)	(304)
<b>Cash flows (used in)/generated from financing activities</b>			
Movement in intercompany loans	16	(1,086)	383
Interest expense on leases	5	(44)	(51)
Interest paid	5	(3)	(3)
Payments to lease creditors		(327)	(320)
Net cash flows (used in)/generated from financing activities		(1,460)	9
Net movement in cash and cash equivalents		204	-
Cash and cash equivalents at 1 January	13	-	-
Cash and cash equivalents at 31 December	13	204	-

# **Integrated Utility Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020**

### **1 General information**

The Company is a private company limited by share capital, incorporated under the Companies Act 2006 and domiciled in England and Wales.

The address of its registered office is Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.

### **2 Accounting policies**

#### **Statement of compliance**

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the IASB.

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Basis of preparation**

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The nature of the Company's business model, strategic objectives, operations and activities are set out in the Strategic Report.

# **Integrated Utility Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

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

#### **Going Concern**

The Financial Statements which report net assets of £3.4m (2019: 3.5m) and net current assets of £2.6m (2019: 2.9m) have been prepared on the going concern basis. Having taken into account the impact of COVID-19 on the Company's operations, the directors have reviewed the Company's projections up until October 2022, with particular reference to work pipeline, its operating cash flow, commitments and liquidity in order to form a conclusion.

The key variable in the Company's assumptions when determining its forecast position is the volume of sales. The Company has made a net loss of £164k in the year ended December 2020. This reflected the reduced volume of work as a result of COVID-19. This reduced work volume is not forecast to continue and as at the date of approving the accounts, the Company has successfully acquired a strong pipeline of work, increasing volumes for 2021 and forecasting a return to profit in 2021. In determining the going concern assessment, management have reviewed the following:

- The current forward order book and pipeline of work;
- The net assets position;
- The recoverability of debt; and
- The cash position

The Company's cash position is not considered to be a risk factor as working capital is closely monitored and any short-term cash requirements are met from an inter-company pooling arrangement. The cash position and liquidity of the Company is closely monitored. The cash needs of the business during the pandemic have been met from cash balances held and short-term funding through the intercompany pooling arrangements. This arrangement is available for the Company however, as at the date of signing the accounts, the Company has returned to improved work volumes, and the forecast for the next 12 months to October 2022 shows a net positive cash position for the Company.

Further, a review of the Northern Powergrid Group's business activities during the year, together with details regarding its future development, performance and position, its objectives, policies and processes for managing its capital, its financial risk management objectives and details of its exposures to trading risk, credit risk and liquidity risk are set out in the Strategic Report, the Directors' Report and the appropriate notes to the financial statements of Northern Powergrid Holdings Company.

The Northern Powergrid Group is financed both in its operating companies and in other entities within the Northern Powergrid Group, and companies may lend within the Northern Powergrid Group. For that reason, financial health is considered with reference to the Northern Powergrid Group. Those entities with a net current liabilities position obtain a letter of support from Northern Powergrid Holdings Company.

When considering continuing to adopt the going concern basis in preparing the annual reports and financial statements, the directors have taken into account a number of factors, including the following:

- The Northern Powergrid Group's main subsidiaries, Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc are stable electricity distribution businesses operating an essential public service and are regulated by the Gas and Electricity Markets Authority ("GEMA"). In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations under Part 1 of the Electricity Act 1989 (including the obligations imposed by the electricity distribution licence) or by the Utilities Act 2000;
- The Northern Powergrid Group is profitable with strong underlying cash flows. Northern Powergrid Holdings Company, Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc hold investment grade credit ratings;
- The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 17 years and has access to short-term committed borrowing facilities of £192 million provided by Lloyds Bank plc, National Westminster Bank plc and Santander UK plc;
- Several of the Company's customers operate in regulated industries such as electricity, water and rail, so providing additional comfort regarding the security of receivables;
- The Northern Powergrid Group issued a £300 million green bond in June 2020 and benefits from strong investment grade credit ratings which allow access to a range of financing options;

# **Integrated Utility Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

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

- The Northern Powergrid Group has prepared forecasts which taking into account reasonable possible changes in trading performance show that the Northern Powergrid Group has sufficient resources to settle its liabilities as they fall due for at least the 12 months from the date of these accounts. The directors have had discussions with the bank who have indicated that they would continue to provide the short-term facilities to the Northern Powergrid Group for the foreseeable future on acceptable terms; and
- Consideration was also given to the obligations contained in the Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc's licences to provide the Office of Gas and Electricity Markets with annual certificates, confirming that the directors have a reasonable expectation that the Northern Powergrid Group will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months. The board determined any material variations to the assumptions used when providing those certificates were unlikely within the eight-year period or beyond.

Consequently, after making these enquiries, including the parent company's going concern position and the availability of the cash pooling arrangement the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### **Critical judgements in applying accounting policies**

There are no critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on amounts recognised in the financial statements.

#### **Key sources of estimation uncertainty**

In the preparation of financial statements in conformity with IFRS, the directors identified the following key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

##### *Revenue recognition*

Revenue recognition is based on costs as a best indicator to determine the stage of completion. Every project is reviewed on a monthly basis with the end of life forecast position established in terms of revenue, cost and associated margin. Revenue recognition is based on latest forecast position, with contract assets and liabilities reported accordingly.

Further information on the principals used in the recognition of revenue is disclosed further down this note, within the revenue recognition section.

#### **Changes in accounting policy**

##### **New standards and amendments**

##### *Effective for periods beginning or after 1 January 2020*

- Amendments to IFRS 3 - Definition of a business;
- Amendments to IAS 1 (presentation of financial statements) and IAS 8 (accounting policies, changes in accounting estimates and errors) - Definition of material;
- Amendments to References to the Conceptual Framework in IFRS Standards; and
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform.

None of these amendments have had a material impact on the financial statements.

##### *Effective for periods beginning on or after 1 June 2020*

- Amendment to IFRS 16 - Covid-19 related rent concessions.

This amendment is not expected to have a material impact on the financial statements.

# **Integrated Utility Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

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

#### **Revenue recognition**

##### *Recognition*

The Company earns revenue from the provision of services relating to revenue from a contract to provide services is recognised by the following means:

- Engineering contracting work includes major projects that are routinely delivered throughout the Northeast, Yorkshire, Scotland and the Midlands, with revenue being recognised in line with expenditure; and
- Multi Utility installation work is provided for both independent network operators and residential housebuilders, with revenue recognised in line with expenditure profile;
- IUS also has a number of large frameworks with Northern Powergrid, delivering automation, overhead lines and asset replacement and maintenance work, with revenue being recognised as the performance obligation is completed.
- Revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

##### *Fee arrangements*

Below are details of fee arrangements and how these are measured and recognised, for revenue from the provision of services:

- For fixed fee arrangements from services revenue is recognised based on the stage of completion and performance obligations met for actual services provided as a proportion of the total fixed fee agreed in the contract.
- For fee for service (time) revenue is recognised by time performed on the contracts to the year end date using contractual rates specified in the contract.

##### *Performance obligations*

The performance obligations involved in engineering contracting work are accounted for as follows:

- Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.
- Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.
- Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of the costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.
- When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

## **Integrated Utility Services Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

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

##### **Leases**

The Company applies IFRS 16 to all leases (except as noted below) which include buildings and fleet vehicles. The right-of-use assets are initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Subsequently, the assets are measured under the fair value method. The corresponding lease liability is initially measured at present value of all lease payments over the lease term and can be restated if the terms or other criteria of the contract change. These values can be found in the Statement of Financial Position.

The Group has taken practical expedients as per below:

- For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in the Income Statement.
- Applies a single discount rate to a portfolio of leases;
- Uses hindsight to determine the lease term when contract contains options to extend or terminate the lease; and
- Adjusts right of use asset by provision for onerous leases as an alternative to performing an impairment review.

The weighted average lessee's incremental borrowing rate applied to determine the present value of the lease liabilities during the current period was 2.43% (2019:3.48%).

The Company recognises depreciation of right-of-use assets (within administration expenses) and interest on lease liabilities (within finance costs) in the Income Statement. Within the Statement of Cash Flow, the Company separates the total amount of cash paid between the principal portion and the interest, both of which are presented within financing activities.

Right-of-use assets are depreciated over the shorter of the useful life of the asset or the lease term. For information regarding the depreciation charge per class of asset and carrying value, please refer to Note 11 Right of use assets.

##### **Finance income and costs policy**

Finance income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in profit or loss in the period which they are incurred.

# **Integrated Utility Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

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

#### **Tax**

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

#### **Property, plant and equipment**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Costs include professional fees, and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation on these assets, on the same basis as other assets, commences when the assets are commissioned. Assets are derecognised when they are disposed of profit or loss on disposal is recognised in other gains on the statement of profit or loss.

#### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives. Depreciation is recognised on a straight line basis as follows:

<i>Asset class</i>	<i>Depreciation rate</i>
Furniture, fittings and equipment	up to 10 years

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### **Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

# **Integrated Utility Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

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

#### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Borrowings**

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

#### **Impairment of non-financial assets**

At the balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **Pension obligations**

The Company contributes to the Northern Powergrid Group of the Electricity Supply Pension Scheme (the "DB Scheme"), a defined benefit scheme that shares risk between various entities under common control. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to individual group entities and accordingly the Company financial statements account for the Northern Powergrid Group of the ESPS as if it were a defined contribution scheme.

Contributions to the Northern Powergrid Group of the ESPS are charged to the statement of profit or loss. The capital costs of ex-gratia and supplementary pensions are normally charged to the statement of profit or loss in the period in which they are granted.

The Company also participates in a defined contribution scheme. Contributions payable to the defined contribution scheme are charged to the statement of profit or loss in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

# **Integrated Utility Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

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

#### **Financial instruments**

##### **Initial recognition**

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The Company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss (“FVTPL”) are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

##### **Classification and measurement**

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

##### **Financial assets at amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the Company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**2 Accounting policies (continued)**

**Financial assets at fair value through other comprehensive income (FVTOCI)**

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

**Financial assets at fair value through the profit or loss (FVTPL)**

Financial assets not otherwise classified above are classified and measured as FVTPL.

**Financial liabilities at amortised cost**

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

**Financial liabilities at fair value through the profit or loss**

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

# **Integrated Utility Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

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

#### **Derecognition**

##### *Financial assets*

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the Company derecognises transferred financial assets in their entirety, but has continuing involvement in them then the entity should disclose for each type of continuing involvement at the reporting date:

- (a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised;
- (b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;
- (c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined;
- (d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets.

##### *Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

#### **Modification of financial assets and financial liabilities**

##### *Financial assets*

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

# **Integrated Utility Services Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

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

#### *Financial liabilities*

If the terms of a financial liabilities are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the Company recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

#### **Impairment of financial assets**

##### *Measurement of Expected Credit Losses*

The Company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- Financial assets that are debt instruments;
- Accounts and other receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL;

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Company recognises an allowance for the lifetime ECL; and

Stage 3: for credit-impaired financial instruments, the company recognises the lifetime ECL.

The Company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Evidence that the financial asset is credit-impaired include the following:

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company.

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**2 Accounting policies (continued)**

For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

*Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are not recoverable:

- when there is a breach of financial covenants by the debtor; and
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full.

**3 Revenue**

The analysis of the Company's revenue for the year from continuing operations is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Revenue from contracts with customers	<u>24,153</u>	<u>30,926</u>

**Assets recognised from costs to fulfil a contract with customers**

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Contract costs incurred plus recognised profit less recognised losses to date	35,938	28,208
Less: progress billings	<u>(29,724)</u>	<u>(20,076)</u>
	<u>6,214</u>	<u>8,132</u>

Contract assets are based on fair estimates of project progress and recoverability. Assets are typically converted into a receivables balance based on specific contractual terms. Generally, project works are completed with value generated through an application for payment ("AFP") linked to achieving varying stages of completion. Approved AFP's are typically produced on a monthly basis and once approved converted to debt. Fair value of contract asset is provided based on operational and commercial management review with revenue recognised on this basis.

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**4 Operating (loss)/profit**

Arrived at after charging/(crediting)

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Depreciation expense	117	53
Depreciation on right-of-use assets	341	342
Loss allowance on trade and other receivables	<u>52</u>	<u>(71)</u>

**5 Finance income and costs**

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Finance income</b>		
Other finance income	-	1
<b>Finance costs</b>		
Interest paid to group undertakings	(3)	(3)
Interest expense on leases	<u>(44)</u>	<u>(51)</u>
Total finance costs	<u>(47)</u>	<u>(54)</u>
Net finance costs	<u>(47)</u>	<u>(53)</u>

**6 Staff costs**

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Salaries	6,969	6,962
Social security costs	770	761
Defined benefit pension costs	153	141
Defined contribution pension costs	<u>531</u>	<u>477</u>
	<u>8,423</u>	<u>8,341</u>

A small proportion of the Company's employees are members of the DB Scheme. Most of the remaining employees are members of the Northern Powergrid Pension Scheme, details of both are given in the employee benefits Note 20.

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Production	106	98
Administration and support	<u>37</u>	<u>45</u>
	<u>143</u>	<u>143</u>

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**7 Directors and other key personnel remuneration**

The directors' remuneration for the year was as follows:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Remuneration	<u>58</u>	<u>63</u>

During the year the number of directors who were receiving retirement benefits was as follows:

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>4</u>

In respect of the highest paid director:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Short-term employee benefits	40	43
Post-employment benefits	13	16
Long-term benefits	<u>2</u>	<u>2</u>
	<u>55</u>	<u>61</u>

In respect of other key personnel:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Short-term employee benefits	430	285
Post retirement benefits - defined benefit	53	50
Post retirement benefits - defined contribution	<u>77</u>	<u>49</u>
	<u>560</u>	<u>384</u>

Other key personnel includes a number of senior functional managers who, whilst not board directors, have authority and responsibility for planning, directing and controlling the activities of the Company.

The directors and key personnel are remunerated for their services to the Northern Powergrid Group, of which the Company is a subsidiary. The figures above represent the share of the costs borne by the Company.

Long-term benefits relate to deferred bonus plan vested over the period of the plan.

**8 Auditor's remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Audit of the financial statements	<u>61</u>	<u>41</u>
Total fees payable to the Company's auditor	<u>61</u>	<u>41</u>

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**9 Income tax**

Tax charged/(credited) in the income statement

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current taxation</b>		
UK corporation tax	(28)	170
UK corporation tax adjustment to prior periods	37	(10)
	<u>9</u>	<u>160</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(9)	15
Deferred tax adjustment to prior periods	(32)	10
Effect of changes in legislation	(10)	(1)
Total deferred taxation	<u>(51)</u>	<u>24</u>
Tax (credit)/charge in the income statement	<u>(42)</u>	<u>184</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
(Loss)/profit before tax	<u>(206)</u>	<u>976</u>
Corporation tax at standard rate	(39)	185
Increase/(decrease) in current tax from adjustments for prior periods	37	(10)
Increase/(decrease) in deferred tax from adjustments for prior periods	(32)	10
Decrease in deferred tax due to changes to tax legislation	(10)	(1)
Non qualifying fixed asset depreciation	2	-
Total tax (credit)/charge	<u>(42)</u>	<u>184</u>

Finance Bill 2020 was enacted in July 2020 and as a result, the rate of corporation tax has been held at 19% as the Finance Bill 2020 effectively removed the proposed reduction to 17% which was included within Finance Bill 2016. As a result, deferred tax balances have been re-measured at the 19% rate and this remeasurement has given rise to an increased deferred tax asset of £10,000 which is reflected within the above tax charge.

In addition, the March 2021 Budget announced that the Corporation Tax Rate will increase from 19% to 25% from 1 April 2023. As this has not been enacted by the balance sheet date, balances as at 31 December 2020 continue to be measured at 19%, the amended tax rate would cause an estimated increase of £34,000 in the deferred tax asset.

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**9 Income tax (continued)**

**Deferred tax**

Deferred tax movement during the year:

	<b>At 1 January 2020 £ 000</b>	<b>Recognised in income £ 000</b>	<b>At 31 December 2020 £ 000</b>
Accelerated tax depreciation	25	23	48
Other	30	28	58
Net tax assets	<u>55</u>	<u>51</u>	<u>106</u>

Deferred tax movement during the prior year:

	<b>At 1 January 2019 £ 000</b>	<b>Recognised in income £ 000</b>	<b>At 31 December 2019 £ 000</b>
Accelerated tax depreciation	30	(5)	25
Other	49	(19)	30
Net tax assets	<u>79</u>	<u>(24)</u>	<u>55</u>

The other deferred tax asset relates to temporary differences in relation to bad debt provisions and employee benefits. The tax asset has been recognised on the basis the Company and/or Group will have sufficient future taxable profits for the deferred tax asset to reverse against.

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**10 Property, plant and equipment**

	<b>Furniture, fittings and equipment £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>		
At 1 January 2019	1,472	1,472
Additions	305	305
At 31 December 2019	1,777	1,777
At 1 January 2020	1,777	1,777
Additions	111	111
Disposals	(1,120)	(1,120)
At 31 December 2020	768	768
<b>Depreciation</b>		
At 1 January 2019	1,373	1,373
Charge for year	53	53
At 31 December 2019	1,426	1,426
At 1 January 2020	1,426	1,426
Charge for the year	117	117
Eliminated on disposal	(1,120)	(1,120)
At 31 December 2020	423	423
<b>Carrying amount</b>		
At 31 December 2020	345	345
At 31 December 2019	351	351

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**11 Right of use assets**

	<b>Fleet £ 000</b>	<b>Property £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>			
At 1 January 2019	507	248	755
Additions	<u>165</u>	<u>721</u>	<u>886</u>
At 31 December 2019	<u>672</u>	<u>969</u>	<u>1,641</u>
At 1 January 2020	672	969	1,641
Additions	459	-	459
Disposals	<u>(48)</u>	<u>(68)</u>	<u>(116)</u>
At 31 December 2020	<u>1,083</u>	<u>901</u>	<u>1,984</u>
<b>Depreciation</b>			
Charge for year	<u>189</u>	<u>153</u>	<u>342</u>
At 31 December 2019	<u>189</u>	<u>153</u>	<u>342</u>
At 1 January 2020	189	153	342
Charge for the year	210	131	341
Eliminated on disposal	<u>(48)</u>	<u>(68)</u>	<u>(116)</u>
At 31 December 2020	<u>351</u>	<u>216</u>	<u>567</u>
<b>Carrying amount</b>			
At 31 December 2020	<u>732</u>	<u>685</u>	<u>1,417</u>
At 31 December 2019	<u>483</u>	<u>816</u>	<u>1,299</u>

**12 Trade and other receivables**

	<b>31 December 2020 £ 000</b>	<b>31 December 2019 £ 000</b>
Trade receivables	2,799	3,502
Loss allowance	<u>(178)</u>	<u>(161)</u>
Net trade receivables	2,621	3,341
Receivables from related parties	336	-
Prepayments	138	105
Other receivables	557	214
Social security and other taxes	<u>-</u>	<u>364</u>
	<u>3,652</u>	<u>4,024</u>

The average credit period on receivables is 30 days. No interest is charged on outstanding trade receivables.

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**12 Trade and other receivables (continued)**

The loss allowance is made on amount due net of VAT which would be recoverable from Her Majesty's Revenue and Customs when the debt is written off.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance is based on past due status.

**Movement in the loss allowance**

	<b>31 December 2020 £ 000</b>	<b>31 December 2019 £ 000</b>
At 1 January	161	232
Amounts utilised/written off in the year	(35)	-
Amount charged/(credited) to the statement of profit or loss	52	(71)
At 31 December	<u>178</u>	<u>161</u>

**Engineering contracting receivables**

The average credit period on Engineering contracting receivables is 30 days. Interest is not generally charged on receivables paid after due date. Included in the Company's construction contracts balance are debtors with a carrying amount of £2.1 million (2019: £2.0 million), which are past due at the reporting date for which the Company has provided for an irrecoverable amount of £0.1 million (2019: £0.1 million) based on past experience. The Company does not hold any collateral over these balances. The average age of these receivables is 74 days (2019: 51 days).

Included in the Company's construction contracts balance are debtors with a carrying amount of £nil (2019: £nil) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances.

The average credit period on sales of goods and services is 30 days. Interest is not generally charged on the trade receivables paid after the due date.

<b>2020</b>	<b>Current £ 000</b>	<b>1-3 months £ 000</b>	<b>3-6 months £ 000</b>	<b>6-12 months £ 000</b>	<b>Over 1 year £ 000</b>
Total balance	1,621	1,719	240	49	70
Less specific provisions	-	-	-	-	(70)
Balance on which ECL made	<u>1,621</u>	<u>1,719</u>	<u>240</u>	<u>49</u>	<u>-</u>
Lifetime ECL	<u>0%</u>	<u>1%</u>	<u>10%</u>	<u>50%</u>	<u>100%</u>
Expected credit loss	<u>-</u>	<u>17</u>	<u>24</u>	<u>25</u>	<u>-</u>

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**12 Trade and other receivables (continued)**

<b>2019</b>	<b>Current £ 000</b>	<b>1-3 months £ 000</b>	<b>3-6 months £ 000</b>	<b>6-12 months £ 000</b>	<b>Over 1 year £ 000</b>
Total balance	1,680	1,740	90	62	87
Less specific provisions	-	-	(1)	(33)	(87)
Balance on which ECL made	<u>1,680</u>	<u>1,740</u>	<u>89</u>	<u>29</u>	<u>-</u>
Lifetime ECL	<u>0%</u>	<u>1%</u>	<u>10%</u>	<u>50%</u>	<u>100%</u>
Expected credit loss	<u>-</u>	<u>17</u>	<u>9</u>	<u>15</u>	<u>-</u>

There has been no significant change in the gross amounts of trade receivables that has affected the estimation of loss allowance.

**Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on a financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment the Company considers historical experience as well as forward-looking information that is available without undue cost or effort. Forward-looking information includes the future prospects of the industries in which the Company's debtors operate obtained from economic expert reports, financial analysts, government bodies, relevant think-tanks and other similar organisations. In particular the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

**13 Cash and cash equivalents**

	<b>31 December 2020 £ 000</b>	<b>31 December 2019 £ 000</b>
Other cash and cash equivalents	<u>204</u>	<u>-</u>

Cash and cash equivalents represent amounts owed by companies within the Northern Powergrid Group, which have a maturity of less than three months, are readily convertible to cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

**14 Share capital**

**Allotted, authorised, called up and fully paid shares**

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary Share Capital of £1 each	<u>3,103,000</u>	<u>3,103,000</u>	<u>3,103,000</u>	<u>3,103,000</u>

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**15 Reserves**

	<b>Retained earnings £ 000</b>
At 1 January 2020	439
Loss for the year	(164)
Total comprehensive income	(164)
At 31 December 2020	275
	<b>Retained earnings £ 000</b>
At 1 January 2019	(353)
Profit for the year	792
Total comprehensive income	792
At 31 December 2019	439

**16 Loans and borrowings**

	<b>Book value</b>		<b>Fair value</b>	
	<b>31 December 2020 £ 000</b>	<b>31 December 2019 £ 000</b>	<b>31 December 2020 £ 000</b>	<b>31 December 2019 £ 000</b>
Intercompany loan- Yorkshire Electricity Group	-	1,086	-	1,086
	-	1,086	-	1,086

The fair value of liabilities set out above is based on Level 1 inputs.

Interest on inter-company short-term loans is charged at a floating rate of interest at LIBOR plus 0.2%, this exposing the Company to cash flow interest rate risk. Amounts owed to Group undertakings carry no credit risk as all the group companies are actively supported and funded by the rest of the Northern Powergrid Group which maintains an investment grade credit rating. The liquidity risk is minimal due to support provided by the Northern Powergrid group. Some market risk exists due to the variable interest rate, however this is offset by the support of the Northern Powergrid Group.

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**17 Obligations under leases and hire purchase contracts**

**Lease commitments**

Lease commitments relate to fleet vehicles from Vehicle Lease and Service Limited, a joint venture, with terms of up to 7 years and land and buildings with terms of up to 10 years.

The total future value of minimum lease payments is as follows:

	<b>31 December 2020 £ 000</b>	<b>31 December 2019 £ 000</b>
Within one year	376	334
In two to five years	944	874
In over five years	261	255
Total lease payment	<u>1,581</u>	<u>1,463</u>
Interest	<u>(128)</u>	<u>(142)</u>
Total lease liability	<u><u>1,453</u></u>	<u><u>1,321</u></u>

**18 Provisions**

	<b>Claims £ 000</b>	<b>Other provisions £ 000</b>	<b>Total £ 000</b>
At 1 January 2020	75	366	441
Additional provisions	-	187	187
Provisions used	<u>(35)</u>	<u>-</u>	<u>(35)</u>
At 31 December 2020	<u>40</u>	<u>553</u>	<u>593</u>
Current liabilities	<u><u>40</u></u>	<u><u>553</u></u>	<u><u>593</u></u>

The provisions above represent costs of employer and public liability claims that are not insured externally, with the other provisions representing work in progress loss provisions. Settlement is expected substantially within the next twelve months.

**19 Trade and other payables**

	<b>31 December 2020 £ 000</b>	<b>31 December 2019 £ 000</b>
Trade payables	600	412
Accrued expenses	5,458	5,820
Amounts due to related parties	-	662
Social security and other taxes	218	208
Other payables	<u>233</u>	<u>283</u>
	<u><u>6,509</u></u>	<u><u>7,385</u></u>

Other payables primarily relates to performance related bonus amounts.

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**19 Trade and other payables (continued)**

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the Financial Risk Review Note.

**20 Pension schemes**

**Defined contribution pension scheme**

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £0.5 million (2019: £0.5 million). The pension cost for 2021 is expected to be £0.4 million.

**Defined benefit pension scheme**

The Company is a participating employer in a defined benefit pension scheme. The Company pays a contribution to the scheme in relation to current service of employees who are members of the ESPS. Under an internal agreement, with Northern Electric plc, the element of the cost borne by the Company has been restricted to the same as would be recorded if these employees were members of the Company's existing defined contribution scheme as referred to above. The pension costs in the year amounted to £0.2m (2019: £0.1m). The pensions costs for 2021 are expected to be £0.2m.

The costs stated above exclude the pension deficit repair costs in relation to current and former employees of the Company which are met by Northern Electric plc, the parent company and principal employer of the ESPS.

Detailed information on the Northern Powergrid pension schemes is available in the Northern Powergrid Holdings Company financial statements, available from Lloyds Court, 78 Grey Street, Newcastle upon Tyne, Tyne and Wear, NE1 6AF.

**21 Net debt reconciliation**

	<b>At 1 January</b>			<b>At 31</b>
	<b>2020</b>	<b>Cash flows</b>	<b>New leases</b>	<b>December</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>2020</b>
				<b>£ 000</b>
Cash and cash equivalents	-	204	-	204
Borrowings	(1,086)	1,086	-	-
Lease liabilities	(1,321)	371	(503)	(1,453)
	<u>(2,407)</u>	<u>1,661</u>	<u>(503)</u>	<u>(1,249)</u>
	<b>At 1 January</b>			<b>At 31</b>
	<b>2019</b>	<b>Cash flows</b>	<b>New leases</b>	<b>December</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>2019</b>
				<b>£ 000</b>
Borrowings	(703)	(383)	-	(1,086)
Lease liabilities	-	371	(1,692)	(1,321)
	<u>(703)</u>	<u>(12)</u>	<u>(1,692)</u>	<u>(2,407)</u>

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**22 Classification of financial and non-financial assets and financial and non-financial liabilities**

The classification of financial assets and financial liabilities by accounting categorisation for the period ending 31 December 2020 was as follows:

	<b>Financial assets at amortised cost £ 000</b>	<b>Financial liabilities at amortised cost £ 000</b>	<b>Non-financial assets &amp; liabilities £ 000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	-	-	345
Right of use assets	-	-	1,417
Deferred tax assets	-	-	106
	<u>-</u>	<u>-</u>	<u>1,868</u>
<b>Current assets</b>			
Trade and other receivables	3,514	-	138
Cash and cash equivalents	204	-	-
Contract assets	6,214	-	-
	<u>9,932</u>	<u>-</u>	<u>138</u>
Total assets	<u>9,932</u>	<u>-</u>	<u>2,006</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term lease liabilities	-	(1,117)	-
<b>Current liabilities</b>			
Current portion of long term lease liabilities	-	(336)	-
Trade and other payables	-	(6,509)	-
Income tax liability	-	(5)	-
Provisions	-	-	(593)
	<u>-</u>	<u>(6,850)</u>	<u>(593)</u>
Total liabilities	<u>-</u>	<u>(7,967)</u>	<u>(593)</u>

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**22 Classification of financial and non-financial assets and financial and non-financial liabilities (continued)**

The classification of financial assets and financial liabilities by accounting categorisation for the period ending 31 December 2019 was as follows:

	<b>Financial assets at amortised cost £ 000</b>	<b>Financial liabilities at amortised cost £ 000</b>	<b>Non-financial assets &amp; liabilities £ 000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	-	-	351
Right of use assets	-	-	1,299
Deferred tax assets	-	-	55
	<u>-</u>	<u>-</u>	<u>1,705</u>
<b>Current assets</b>			
Trade and other receivables	3,919	-	105
Contract assets	8,132	-	-
	<u>12,051</u>	<u>-</u>	<u>105</u>
Total assets	<u><u>12,051</u></u>	<u><u>-</u></u>	<u><u>1,810</u></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term lease liabilities	-	(1,026)	-
<b>Current liabilities</b>			
Current portion of long term lease liabilities	-	(295)	-
Trade and other payables	-	(7,385)	-
Loans and borrowings	-	(1,086)	-
Income tax liability	-	(86)	-
Provisions	-	-	(441)
	<u>-</u>	<u>(8,852)</u>	<u>(441)</u>
Total liabilities	<u><u>-</u></u>	<u><u>(9,878)</u></u>	<u><u>(441)</u></u>

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**23 Financial risk review**

This note presents information about the Company's exposure to financial risks and the Company's management of capital.

**Capital management**

The Group manages its capital centrally to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2019.

The capital structure of the Company consists of net debt (borrowings as detailed in Note 16) offset by equity of the Company (comprising issued capital, reserves and retained earnings as detailed in Notes 14 and 15).

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The Company monitors the credit risk of its customers and actively provides for expected credit loss where appropriate.

		<b>Gross carrying amount £ 000</b>	<b>Loss allowance £ 000</b>	<b>Net carrying amount £ 000</b>
<b>2020</b>	<b>Notes</b>			
Trade and other receivables	12	<u>3,830</u>	<u>(178)</u>	<u>3,652</u>
<b>2019</b>				
Trade and other receivables	12	<u>3,821</u>	<u>(161)</u>	<u>3,660</u>

For trade receivables the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 12 includes further details on the loss allowance for these assets.

**Liquidity risk**

Ultimate responsibility of liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium, and long-term funding and liquidity management requirements. The Company manages liquidity by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**23 Financial risk review (continued)**

**Maturity analysis for financial liabilities**

The following tables set out the remaining contractual maturities of the Company's financial liabilities by type.

<b>2020</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Total</b>
<b>Non-derivative liabilities</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Non-interest bearing	6,509	-	6,509
Variable interest rate liabilities	-	-	-
Lease liabilities	336	1,117	1,453
<b>Total</b>	<b>6,845</b>	<b>1,117</b>	<b>7,962</b>

<b>2019</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Total</b>
<b>Non-derivative liabilities</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Non-interest bearing	7,385	-	7,385
Variable interest rate liabilities	1,169	-	1,169
Lease liabilities	295	1,026	1,321
<b>Total</b>	<b>8,849</b>	<b>1,026</b>	<b>9,875</b>

**Market risk**

The Company's activities do not expose it to significant financial risks of changes in foreign currency exchange rates and interest rates. Materially all income and expenses are denominated in pound sterling. Short-term loans and inter-company short term loans is charged at a floating rate of LIBOR plus 0.2%, thus exposing the Company to cash flow interest rate risk. A 1% movement in interest rates would subject the Company to an immaterial change in interest costs per year. This is considered to be an acceptable level of risk.

**24 Related party transactions**

**Summary of transactions with joint ventures**

Vehicle Lease and Service Limited is a joint venture of Northern Electric plc and provides vehicle fleet and servicing for the Northern Powergrid Group.

**Summary of transactions with other related parties**

Other subsidiaries of the Northern Powergrid Group. Included within these amounts are:

- Integrated Utility Services (EIRE) that provides and receives engineering contracting resource;
- Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc received engineering contracting services, as well as provided resource to the Company;
- Yorkshire Electricity Group plc that operates the group intercompany treasury account; and
- Northern Electric plc provides corporate services to the Company.

**Integrated Utility Services Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

**24 Related party transactions (continued)**

	<b>Sales to related parties £ 000</b>	<b>Purchases from related parties £ 000</b>	<b>Amounts owed from/(to) related parties £ 000</b>	<b>Interest paid to related parties £ 000</b>
<b>2020</b>				
Integrated Utility Services Limited (registered in Eire)	2,170	(1,888)	336	-
Northern Electric plc	396	(47)	-	-
Northern Powergrid (Northeast) plc	6,099	(298)	-	-
Northern Powergrid (Yorkshire) plc	1,832	(107)	-	-
Vehicle Lease and Service limited	-	(671)	-	-
Yorkshire Electricity Group plc	-	-	204	(3)
	<u>10,497</u>	<u>(3,011)</u>	<u>540</u>	<u>(3)</u>
<b>2019</b>				
Integrated Utility Services Limited (registered in Eire)	2,166	(1,648)	-	-
Northern Electric plc	400	(54)	(662)	-
Northern Powergrid (Northeast) plc	4,375	(313)	-	-
Northern Powergrid (Yorkshire) plc	3,151	(101)	-	-
Vehicle Lease and Service limited	-	(337)	-	-
Yorkshire Electricity Group plc	-	-	(1,086)	(3)
	<u>10,092</u>	<u>(2,453)</u>	<u>(1,748)</u>	<u>(3)</u>

Amounts owed to Northern Electric plc are in relation to tax paid on behalf of the Company to Her Majesty's Revenue and Customs.

Loans from related parties are detailed in the loans and borrowings Note 16.

**25 Parent and ultimate parent undertaking**

The Company's immediate parent is Northern Electric plc.

The ultimate parent is Berkshire Hathaway, Inc. These financial statements are available upon request from 3555 Farnam Street, Omaha, Nebraska 68131.

**Relationship between entity and parents**

The parent of the largest group in which these financial statements are consolidated and the ultimate controlling party is Berkshire Hathaway, Inc, incorporated in United states.

The registered address of Berkshire Hathaway, Inc is:  
3555 Farnam Street, Omaha, Nebraska 68131.

The parent of the smallest group in which these financial statements are consolidated is Northern Electric plc, incorporated in United Kingdom.

The registered address of Northern Electric plc is:  
Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.