ENERGY ASSETS NETWORKS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

REGISTERED NO: 10068882

Contents

Strategic report
For the year ended 31 March 2023

The Directors present the strategic report of Energy Assets Networks Limited ("the Company) for the year ended 31 March 2023.

Principal activities

Energy Assets Networks Limited owns and operates electricity distribution systems for a range of Industrial and Commercial ("I&C") and residential customers. This is not anticipated to change in the near future.

Business review

A full review of the Energy Assets Group business model, strategy and performance has been included in the Energy Assets Group Holdings Limited consolidated financial statements for the year ended 31 March 2023.

In relation to the Company, the key performance indicator used by management is operating result which in the current year is a profit of £1.7m (2022: £0.5m before exceptional items). This indicator is regularly shared with representatives of the ultimate Parent Company. For the year ended 31 March 2023, revenue was £11.5m (2022: £6.0m). The profit before tax for the year was £1.7m (2022: £2.9m which was stated after the exceptional waiver of an amount due to another group company of £2.3m).

There are also a number of key performance indicators considered by management at a Group level. For details please refer to the Annual Report and Accounts of Energy Assets Group Holdings Limited for the year ended 31 March 2023.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties including competition from other suppliers and changes in government policy. For full details please refer to the Annual Report and Accounts of Energy Assets Group Holdings Limited for the year ended 31 March 2023.

Future developments

The Directors continue their active discussions regarding potential new business with those requiring the Energy Assets service.

The strategic report was approved by the board and signed on its behalf by:

DocuSigned by:
David Taylor
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David Taylor
Chief Executive Officer
12 July 2023

Directors' report
For the year ended 31 March 2023

The Directors present their report and the audited financial statements of Energy Assets Networks Limited for the year ended 31 March 2023.

Results, dividends and future developments

The results for the year to 31 March 2023 are set out in the statement of comprehensive income on page 10 and have been discussed alongside the future developments of the Company in the Strategic Report on page 2. The Directors do not propose a dividend (2022: nil).

Directors

The Directors who held office during the year and up to the date of signing of the financial statements, unless otherwise stated, are:

D Taylor (appointed 4 May 2022)
J Whitaker
L Sutera (resigned 4 May 2022)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Going concern

A period of twelve months from the date of approval of the financial statements has been considered and the likely performance of the business and possible alternative outcomes has been assessed alongside the financing facilities available to the Company, compliance with financial covenants and the possible actions able to be taken should new facilities not be available in the future.

Having taken all of these factors into consideration, the Directors confirm that forecasts and projections indicate that the Company has adequate resources for the foreseeable future and at least for the period of twelve months from the date of this report. Accordingly, the financial statements have been prepared on a going concern basis.

Financial risk management

The Company is exposed to a variety of financial risks that include liquidity risk, credit risk and price risk, however, conservative treasury policies are operated. For full details please refer to the Annual Report and Accounts of Energy Assets Group Holdings Limited for the year ended 31 March 2023.

Employees

Energy Assets is committed to promoting equality, diversity and inclusion in all aspects of its operations. The Company strives to create an inclusive and supportive environment where all individuals, regardless of their age, race, ethnicity, religion, disability, gender identity, sexual orientation, marital status, or any other protected characteristic, are treated with respect and fairness.

The Company is committed to promoting a working environment free from discrimination, harassment and victimisation and procedures are in place to address any concerns or complaints relating to discrimination or unfair treatment promptly and confidentially.

Directors' report
For the year ended 31 March 2023 (continued)

Policies, procedures, and practices are regularly reviewed to ensure they are fair and inclusive and the Company provides training and development opportunities to foster awareness and understanding of equality, diversity and inclusion among our staff members.

Energy Assets is dedicated to providing equal opportunities for career development, advancement and training, ensuring that all individuals have access to the same opportunities to excel and reach their full potential.

Recruitment and selection processes are conducted on the basis of merit and qualifications and applications from underrepresented groups are actively encouraged. The Company aims to eliminate discrimination and bias throughout the recruitment process.

Subsequent events

There have been no events which have taken place after the balance sheet date but before the date of signing which are considered to give significant and further information relevant to these financial statements.

Statement of Directors' responsibilities

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

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

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

Directors' report
For the year ended 31 March 2023 (continued)

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

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

Independent auditors

On 30 November 2022, the members of Energy Assets Networks Limited passed a resolution to remove PricewaterhouseCoopers LLP as auditors with immediate effect. Johnston Carmichael LLP were subsequently appointed as auditors.

Pursuant to a shareholders' resolution, the Company is not obliged to re-appoint its auditors annually and Johnston Carmichael LLP will therefore continue in office. As at the date of these financial statements the Directors are not aware of any resolution to terminate the appointment of the auditors.

The Directors' report was approved by the board and signed on its behalf by:

DocuSigned by:
David Taylor
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David Taylor
Chief Executive Officer
12 July 2023

Independent auditors' report to the members of Energy Assets Networks Limited

Opinion

We have audited the financial statements of Energy Assets Networks Limited ('the Company') for the year ended 31 March 2023, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice). In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

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 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Energy Assets Networks Limited (continued)

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.

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

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 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent 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.

Independent auditor's report to the members of Energy Assets Networks Limited (continued)

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- Corporation tax legislation;
- VAT legislation;
- OFGEM regulations; and
- UK adopted international accounting standards.

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls; and
- Revenue recognition.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the Company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Independent auditor's report to the members of Energy Assets Networks Limited (continued)

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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.

DocuSigned by:

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David Wilson
For and on behalf of Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor

12 July 2023

Bishop's Court,
29 Albyn Place,
Aberdeen,
AB10 1YL

Statement of comprehensive income
For the year ended 31 March 2023

	Note	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Revenue	4	**11,548**	5,975
Cost of sales		**(9,624)**	(5,279)
Gross profit		**1,924**	696
Administrative expenses		**(202)**	(194)
Exceptional debt waiver	7	**-**	2,349
Operating profit	5	**1,722**	2,851
Finance costs		**(4)**	-
Profit before taxation		**1,718**	2,851
Tax on profit	8	**(635)**	(251)
Profit and total comprehensive income for the financial year		**1,083**	2,600

All operations are continuing operations.

The notes on pages 13 to 22 form an integral part of these financial statements.

Balance sheet
As at 31 March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	9	**79**	139
Tangible assets	10	**31,605**	23,236
		31,684	23,375
Current assets			
Deferred tax asset	11	**-**	37
Trade and other receivables	12	**3,009**	1,633
Cash and cash equivalents		**520**	793
		3,529	2,463
Creditors – amounts falling due within one year	13	**(15,578)**	(7,884)
Net current liabilities		**(12,049)**	(5,421)
Deferred tax liability	11	**(812)**	(214)
Net assets		**18,823**	17,740
Capital and reserves			
Called up share capital	14	**-**	-
Retained earnings		**18,823**	17,740
Total shareholder's funds		**18,823**	17,740

The notes on pages 13 to 22 form an integral part of these financial statements.

The financial statements on pages 10 to 22 were approved by the Board of Directors and were signed on its behalf by:

DocuSigned by:
David Taylor
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David Taylor
Chief Executive Officer
12 July 2023

Energy Assets Networks Limited
Registered number: 10068882

Statement of changes in equity
For the year ended 31 March 2023

	Share capital £'000	Share premium £'000	Retained earnings £'000	TOTAL £'000
At 1 April 2021	-	-	(552)	(552)
New share issues	-	15,692	-	15,692
Transfer of share premium	-	(15,692)	15,692	-
Transactions with owners of the Parent Company	-	-	**15,692**	**15,692**
Profit for the year	-	-	2,600	2,600
Total comprehensive income for the year	-	-	**2,600**	**2,600**
At 31 March 2022	-	-	**17,740**	**17,740**
At 1 April 2022	-	-	17,740	17,740
Profit for the year	-	-	1,083	1,083
Total comprehensive income for the year	-	-	**1,083**	**1,083**
At 31 March 2023	-	-	**18,823**	**18,823**

The notes on pages 13 to 22 form an integral part of these financial statements.

Retained earnings is the cumulative profits and losses of the Company, net of distributions to owners.

Notes to the financial statements
For the year ended 31 March 2023

1) General information

Energy Assets Networks Limited owns and operates electricity distribution systems for a range of I&C and residential customers.

Energy Assets Networks Limited is a private limited company, limited by shares. The Company was incorporated on 17 March 2016 in England and Wales, where it is domiciled. Copies of these financial statements are available from the registered office at Ship Canal House, 98 King Street, Manchester, England, M2 4WU.

2) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the year unless otherwise stated.

Basis of preparation

The financial statements of Energy Assets Networks Limited have been prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

The financial statements have been prepared under the historical cost convention. The financial statements are prepared in Sterling and are rounded to the nearest thousand Pounds (£'000) unless otherwise stated.

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 1 *Presentation of financial statements* paragraph 10(d) (statement of cash flows);
- IAS 1 *Presentation of financial statements* paragraph 16 (statement of compliance with IFRS);
- IAS 1 *Presentation of financial statements* paragraph 38A (requirement for a minimum of two primary statements, including cash flow statements);
- IAS 1 *Presentation of financial statements* paragraph 38B-D (additional comparative information);
- IAS 1 *Presentation of financial statements* paragraph 111 (cash flow statement information);
- IAS 1 *Presentation of financial statements* paragraph 134-136 (capital management disclosures);
- IAS 7 *Statement of cash flows;*
- IAS 8 *Accounting policies, changes in accounting estimates and errors* paragraph 30 and 31 (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- IAS 24 *Related party disclosures* with regard to the requirements to disclose related party transactions entered into between two or more members of a Group and paragraph 17 (key management compensation);
- IFRS 7 *Financial instruments: Disclosures;*

Notes to the financial statements
For the year ended 31 March 2023 (continued)

2) Summary of significant accounting policies (continued)

- IFRS 15 *Revenue from Contracts with Customers*: The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129; and
- IAS 1 *Presentation of Financial Statements:* the requirement in paragraph 38 to present comparative information in respect of paragraph 73(e) of IAS 16 *Property, Plant and Equipment* and paragraph 118(e) of IAS 38 *Intangible Assets*.

Going concern

A period of twelve months from the date of approval of the financial statements has been considered and the likely performance of the business and possible alternative outcomes has been assessed alongside the financing facilities available to the Company and the possible actions able to be taken should new facilities not be available in the future.

Having taken all of these factors into consideration, the Directors confirm that forecasts and projections indicate that the Company has adequate resources for the foreseeable future and at least for the period of twelve months from the date of this report. Accordingly, the financial statements have been prepared on a going concern basis.

New standards, amendments and IFRIC interpretations

No new accounting standards, amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 March 2023 have had a material impact on the Company.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and/or accumulated impairment losses where applicable.

Typically within the ordinary course of business the Company settles the acquisition of network assets via the outflow of economic resources, upon agreement of a commercial valuation with the other party. However, there may be instances where the Company has adopted a recurring revenue asset and a commercial valuation cannot be agreed. As such, the recurring revenue asset is recognised within property, plant and equipment where it can be demonstrated that:

- It is probable that future economic benefits associated with the item will flow to the Company; and
- The cost of the item can be measured reliably.

In these instances, the asset is measured at fair value with the corresponding credit in the income statement. This fair value is determined by preparing a discounted cash flow calculation which considers a number of variables including:

- Technical specification of the asset;
- The projected cash flow generated by the asset;
- Return on investment hurdles; and
- Market competition.

Notes to the financial statements
For the year ended 31 March 2023 (continued)

2) Summary of significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to allocate cost to residual values over the estimated useful life of the asset. Useful lives are determined as follows:

Category	Useful life
Network Assets	over 60 years
Fixtures, fittings and equipment	over 3 years

The Directors consider that the time periods above are relatively standard and an appropriate estimate of the useful economic life of the assets. However, the residual values, useful lives and methods of depreciation for all assets are reviewed at each financial year end and adjusted if appropriate, taking into account changes to technology.

Network assets are capitalised as costs are incurred but due to the longer term nature of these projects are not depreciated immediately. Management have undertaken a review of typical projects and have therefore determined that it is reasonable to commence depreciation on the first day of the financial period following capitalisation.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Repairs and maintenance costs are recognised in the income statement as incurred.

Intangible assets

Development expenditure on internally developed software products is capitalised at cost when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use or sell it;
- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

If development expenditure does not meet the above criteria it will be recognised as an expense with no subsequent capitalisation of previously expensed costs permitted in future years.

Capitalised software development costs include the employment costs of those involved in development and an appropriate portion of relevant overheads and are amortised over their useful lives, being 3 years.

Useful lives of all intangible assets are examined on an annual basis and adjustments made where applicable.

Notes to the financial statements
For the year ended 31 March 2023 (continued)

2) Summary of significant accounting policies (continued)

Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets that do not individually generate cash flows are assessed as part of the cash generating unit to which they belong. A cash generating unit is a group of assets at the lowest level for which there are separately identifiable cash flows that are largely independent of the cash flows from other assets or groups of assets.

Where impairment is recorded for property, plant and equipment and intangible assets there is the possibility of reversal if conditions giving rise to the impairment change and this is assessed at each financial year end.

Trade receivables

Trade receivables are amounts due from customers for services performed in the normal course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate, where the effect is material. Trade receivables are shown net of any provision for impairment.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

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 fair value and subsequently measured at amortised cost using the effective interest rate where the effect is material.

Notes to the financial statements
For the year ended 31 March 2023 (continued)

2) Summary of significant accounting policies (continued)

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is charged or credited directly to other comprehensive income or equity if it relates to items that are credited or charged to equity. Otherwise tax is recognised in the income statement.

The current income tax charge is measured based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Current tax assets or liabilities on the balance sheet are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for deferred tax liabilities arising from the initial recognition of goodwill.

Deferred income tax is measured, on an undiscounted basis, using tax rates and laws that are enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets and liabilities are reviewed at the end of each reporting period and adjusted if needed.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred income tax assets and liabilities are presented net only if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Revenue recognition

Revenue represents payments received or receivable from utility suppliers for the use of the Company's owned distribution networks, this is considered a single performance obligation. Revenue is recognised on a straight line basis, when the distribution use of system charges are incurred and invoiced monthly in arrears.

Invoices are raised when performance obligations are satisfied or in accordance with contractual terms and conditions if different. These are largely on 30 day payment terms. Any payment received in advance of supplying the service is deferred until the service has been provided. There are no significant financing components included within any of the Company's revenue streams.

Notes to the financial statements
For the year ended 31 March 2023 (continued)

2) Summary of significant accounting policies (continued)

Employee benefits

The Company contributes to a stakeholder pension scheme for eligible employees on a defined contribution basis. This is managed separately on the Company's behalf and the cost is charged to the income statement as the right to the contributions accrues. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay employee benefits as they arise. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company recognises a liability and an expense for bonuses accruing to employees in relation to the financial year then ended. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3) Critical accounting estimates and judgements

In the process of applying the Company's accounting policies, management has used its judgement and made estimates and assumptions in determining the amounts recognised in the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The most significant areas where judgements and estimates are made are set out below:

Impairment of non-current assets

Annual assessment of the carrying value of non-current assets and the potential for impairment of these amounts is required. This exercise was undertaken at the year end with a review of the business plans of the Company undertaken. Subsequently it was deemed that no impairment to the carrying value of these amounts is required.

4) Revenue

The total revenue in the current and prior year has been derived from the Company's principal activities and all sales are undertaken in the UK.

The Company has not recognised any assets or liabilities related to contracts with customers in either the current or the prior year.

Revenue of £3.2m (2022: £1.5m), £1.4m (2022: £0.8m) and £1.3m (2022: £0.4m) was received from three separate external customers.

Notes to the financial statements
For the year ended 31 March 2023 (continued)

5) Operating profit

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Operating profit is stated after charging:		
Wages and salaries	**1,551**	897
Social security costs	**129**	90
Other pension costs	**51**	29
Staff costs	**1,731**	1,016
Depreciation charged to cost of sales	**397**	286
Amortisation charged to administrative expenses	**79**	75
Audit fee	**23**	-

Employee costs include £0.9m (2022: £0.7m) of costs that are capitalised within the cost of network assets.

The Directors do not receive any remuneration for the services they provide to the Company.

In the prior year, auditors' remuneration of £23K was borne by the parent company, Energy Assets Group Holdings Limited.

6) Employee information

The average monthly number of employees during the year was:

By activity:

	Year ended 31 March 2023 Number	Year ended 31 March 2022 Number
Administration	**25**	26

7) Exceptional debt waiver

Items that are material because of their size or nature, non-recurring or whose significance is sufficient to warrant separate disclosure and identification within the financial information are referred to as exceptional items. The separate reporting of exceptional items helps to provide an understanding of the Company's underlying performance.

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Exceptional waiver of intercompany loan balance	**-**	2,349

Notes to the financial statements
For the year ended 31 March 2023 (continued)

8) Tax on profit

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Deferred tax		
Origination and reversal of timing differences	**(633)**	(275)
Adjustments in respect of prior periods	**(2)**	1
Change in tax rate	**-**	23
Tax charge on profit	**(635)**	(251)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the results of the entity as follows:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Profit before taxation	**1,718**	2,851
Tax calculated at domestic tax rate applicable to profit (19%)	**(326)**	(542)
Effects of:		
Income/expenses not taxable/deductible	**(1)**	446
Adjustments in respect of prior periods	**(2)**	1
Change in tax rate	**(152)**	(42)
Other differences	**(3)**	-
Group relief	**(151)**	(114)
Total tax charge for the year	**(635)**	(251)

Factors affecting current and future tax charges/credits

It was announced in the UK Government's budget on 3 March 2021 that the main UK Corporation tax rate will increase from 19% to 25% from 1 April 2023. This legislative change was substantively enacted on 24 May 2021.

9) Intangible assets

	Software development £'000
Cost	
At 1 April 2022	704
Additions	19
At 31 March 2023	**723**
Accumulated amortisation	
At 1 April 2022	565
Charge for the year	79
At 31 March 2023	**644**
Net book value	
At 31 March 2023	**79**
At 31 March 2022	139

Notes to the financial statements
For the year ended 31 March 2023 (continued)

10) Tangible assets

	Network assets £'000	Fixtures, fittings and equipment £'000	TOTAL £'000
Cost			
At 1 April 2022	23,812	5	23,817
Additions	8,766	-	8,766
At 31 March 2023	**32,578**	**5**	**32,583**
Accumulated depreciation			
At 1 April 2022	576	5	581
Charge for the year	397	-	397
At 31 March 2023	**973**	**5**	**978**
Net book value			
At 31 March 2023	**31,605**	**-**	**31,605**
At 31 March 2022	23,236	-	23,236

11) Deferred tax asset

The analysis of deferred tax assets/liabilities is as follows:

	2023 £'000	2022 £'000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**-**	37
Deferred tax liabilities:		
Deferred tax liability to be utilised after more than 12 months	**(812)**	(214)
Net deferred tax liabilities	**(812)**	(177)

The movement in deferred income tax assets/(liabilities) during the year is as follows:

	Accelerated capital allowances £'000	Other timing differences £'000	TOTAL £'000
At 1 April 2022	(214)	37	(177)
Charged to the income statement	(602)	(33)	(635)
At 31 March 2023	**(816)**	**4**	**(812)**

Deferred tax assets have not been discounted.

Notes to the financial statements
For the year ended 31 March 2023 (continued)

12) Trade and other receivables

	2023 £'000	2022 £'000
Trade receivable	**646**	371
Amounts owed by group undertakings	**675**	318
Prepayments and accrued income	**1,423**	944
Taxation and social security	**265**	-
	3,009	1,633

Trade receivables are stated after provisions for impairment of £0.02m (2022: £0.1m).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

13) Creditors – amounts falling due within one year

	2023 £'000	2022 £'000
Trade payables	**2,953**	1,244
Accruals	**1,573**	1,068
Taxation and social security	**-**	45
Amounts owed to group undertakings	**11,052**	5,527
	15,578	7,884

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

14) Called up share capital

	2023 £'000	2022 £'000
Allotted and fully paid		
100 (2022: 100) ordinary shares of £1 each	**-**	-

All shares rank pari passu in all respects.

15) Ultimate parent undertaking

Energy Assets Midco Limited is the immediate parent undertaking of Energy Assets Networks Limited.

The Company's ultimate parent and controlling party is Energy Assets Group Holdings Limited, a company registered in England and Wales. Energy Assets Group Holdings Limited is the ultimate parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Energy Assets Group Holdings Limited consolidated financial statements can be obtained from the registered office at Ship Canal House, 98 King Street, Manchester, England, M2 4WU.